DOCKET

No. 13-352

Title: B&B Hardware, Inc., Petitioner
v.
Hargis Industries, Inc., dba Sealtite Building Fasteners, dba East Texas Fasteners, et al.

Docketed: September 19, 2013

Lower Ct: United States Court of Appeals for the Eighth Circuit

Case Nos.: (10-3137, 11-1247)

Decision Date: May 1, 2013

Rehearing Denied: June 20, 2013

Questions Presented

—Date—	——Proceedings and Orders——
Sep 18 2013	Petition for a writ of certiorari filed. (Response due October 21, 2013)
Oct 3 2013	Order extending time to file response to petition to and including November 20, 2013.
Nov 20 2013	Brief of respondents Hargis Industries, Inc., dba Sealtite Building Fasteners, dba East Texas Fasteners, et al. in opposition filed.
Dec 4 2013	DISTRIBUTED for Conference of January 10, 2014.
Dec 5 2013	Reply of petitioner B&B Hardware, Inc. filed. (Distributed)
Jan 13 2014	The Solicitor General is invited to file a brief in this case expressing the views of the United States.
May 23 2014	Brief amicus curiae of United States filed.
Jun 9 2014	Supplemental brief of respondents Hargis Industries, Inc., dba Sealtite Building Fasteners, dba East Texas Fasteners, et al. filed.
Jun 10 2014	DISTRIBUTED for Conference of June 26, 2014.
Jun 30 2014	DISTRIBUTED for Conference of June 30, 2014.
Jul 1 2014	Petition GRANTED.
Jul 22 2014	The time to file the joint appendix and petitioner's brief on the merits is extended to and including September 4, 2014.
Jul 22 2014	The time to file respondents' brief on the merits is extended to and including October 24, 2014.
Aug 15 2014	Consent to the filing of amicus curiae briefs, in support of either party or of neither party, received from counsel for the respondent.
Sep 3 2014	Consent to the filing of amicus curiae briefs in support of either party or of neither party received from counsel for the petitioner.
Sep 4 2014	SET FOR ARGUMENT on Tuesday, December 2, 2014.
Sep 4 2014	Joint appendix filed. (Statement of costs filed)

Sep 4 2014	Brief of petitioner B&B Hardware, Inc. filed.
Sep 10 2014	Brief amicus curiae of Intellectual Property Law Association of Chicago in support of neither party filed.
Sep 11 2014	Brief amicus curiae of American Intellectual Property Law Association in support of neither party filed.
Sep 11 2014	Brief amicus curiae of the United States filed.
Sep 11 2014	Brief amicus curiae of International Trademark Association in support of neither party filed.
Sep 22 2014	Record requested from U.S.C.A. 8th Circuit.
Oct 2 2014	Record received from U.S.C.A. 8th Circuit. 1-Box
Oct 24 2014	Brief of respondent Hargis Industries, Inc., dba Sealtite Building Fasteners, dba East Texas Fasteners, et al. filed.
Oct 31 2014	Motion of the Solicitor General for leave to participate in oral argument as amicus curiae and for divided argument filed.
Oct 31 2014	Brief amicus curiae of New York Intellectual Property Law Association filed.
Oct 31 2014	Brief amicus curiae of The Intellectual Property Law Section of the State Bar of Texas filed.
Nov 7 2014	CIRCULATED.
Nov 17 2014	Motion of the Solicitor General for leave to participate in oral argument as amicus curiae and for divided argument GRANTED.
Nov 24 2014	Reply of petitioner B&B Hardware, Inc. filed. (Distributed)
Dec 2 2014	Argued. For petitioner: William M. Jay, Washington, D. C.; and John F. Bash, Assistant to the Solicitor General, Department of Justice, Washington, D. C. (for United States, as amicus curiae.) For respondents: Neal K. Katyal, Washington, D. C.
Dec 4 2014	Record received from U.S. Patent and Trademark Office. This record is electronic.
Dec 10 2014	Record received from U.S.D.C. Eastern District of Arkansas Western Division. This record is SEALED. (1 Envelope)
Mar 24 2015	Judgment REVERSED and case REMANDED. Alito, J., delivered the opinion of the Court, in which Roberts, C. J., and Kennedy, Ginsburg, Breyer, Sotomayor, and Kagan, JJ., joined. Ginsburg, J., filed a concurring opinion. Thomas, J., filed a dissenting opinion, in which Scalia, J., joined.
Apr 27 2015	JUDGMENT ISSUED

PETITION FOR WRIT OF CERTIORARI

No. 13-352

IN THE

Supreme Court of the United States

B&B HARDWARE, INC.,

Petitioner,

v.

HARGIS INDUSTRIES, INC.,
D/B/A SEALTITE BUILDING FASTENERS,
D/B/A EAST TEXAS FASTENERS, ET AL.,

Respondents.

On Petition for a Writ of Certiorari
to the United States Court of Appeals
for the Eighth Circuit

PETITION FOR A WRIT OF CERTIORARI

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September 18, 2013

QUESTION PRESENTED

Under the Trademark Act of 1946 (Lanham Act), a person generally may neither use nor register a mark that would be "likely to cause confusion" with an existing mark. If a person uses a mark that "is likely to cause confusion" with an existing registered mark, the owner of the registered mark may sue in federal court for trademark infringement. 15 U.S.C. § 1114(1). If a person seeks to register a mark that is "likely . . . to cause confusion" with an existing registered mark, the owner of the existing registered mark may oppose the registration of the new mark before the Trademark Trial and Appeal Board (TTAB). 15 U.S.C. § 1052(d); *see id.* §§ 1063, 1067(a).

In this case, petitioner B&B Hardware, Inc. (B&B), manufactures sealing fasteners and owns the registered mark "SEALTIGHT." Respondent Hargis also manufactures sealing fasteners; it used and sought to register the mark "SEALTITE." The TTAB held that Hargis's mark created a likelihood of confusion with B&B's mark.

The questions presented are as follows:

1. Whether the TTAB's finding of a likelihood of confusion precludes Hargis from relitigating that issue in infringement litigation, in which likelihood of confusion is an element.

2. Whether, if issue preclusion does not apply, the district court was obliged to defer to the TTAB's finding of a likelihood of confusion absent strong evidence to rebut it.

RULE 29.6 STATEMENT

Petitioner has no parent corporation, and no publicly held company owns 10% or more of its stock.

PARTIES TO THE PROCEEDING

In addition to the parties named in the caption, "East Texas Fasteners" and John Does 1-10 were named as defendants in the district court and listed as appellees in the court of appeals. Only Hargis Industries, Inc., appeared as a party.

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PETITION FOR A WRIT OF CERTIORARI

B&B Hardware, Inc., respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Eighth Circuit.

OPINIONS BELOW

The decision of the court of appeals (Pet. App. 1a-20a) is reported at 716 F.3d 1020. The decision of the district court denying petitioner's post-verdict motions (Pet. App. 21a-38a) is reported at 736 F. Supp. 2d 1212. A prior decision of the court of appeals in this case is reported at 569 F.3d 383.

JURISDICTION

The judgment of the court of appeals was entered on May 1, 2013. A petition for rehearing was denied on June 20, 2013 (Pet. App. 39a-40a). The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

Pertinent provisions of the Trademark Act of 1946 (Lanham Act) are reprinted in the Appendix, *infra*, at 72a-74a.

STATEMENT

A. The Lanham Act Allows Likelihood of Confusion To Be Litigated In Specialized Administrative Tribunals And Also In District Courts

This case concerns two of the ways in which the "likelihood of confusion" between two trademarks

may be litigated under the Lanham Act. Those two paths involve different procedures and different decisionmakers, but the same statutory question, expressed in the same statutory language: is one party's mark "likely . . . to cause confusion" with the other party's mark?

1. The first forum that may consider likelihood of confusion is the Trademark Trial and Appeal Board (TTAB). That body consists primarily of administrative trademark judges—specialist adjudicators selected by the Secretary of Commerce—as well as certain high-ranking officials of the Patent and Trademark Office (PTO). *See* 15 U.S.C. § 1067(b).

One of the PTO's duties is to register trademarks. Registration entitles the owner of a trademark to certain legal benefits. But no trademark can be registered if it would create confusion with an existing mark. The statute provides that the PTO may not register an applicant's trademark if it "[c]onsists of or comprises a mark which so resembles a mark registered in the [PTO], or a mark or trade name previously used in the United States by another and not abandoned, as to be *likely*, when used on or in connection with the goods of the applicant, *to cause confusion*." *Id.* § 1052(d) (emphasis added).

Sometimes the PTO will deny an application for registration on the ground of likelihood of confusion. If the PTO determines that the mark appears to be entitled to registration, the PTO will publish the mark in its Official Gazette to solicit opposition. *See id.* § 1062; 37 C.F.R. §§ 2.80, 2.101(c). At that time, the owner of the competing mark (or some other person with standing) may initiate an "opposition" proceeding and raise the likelihood of confusion as a

reason for denying registration. 15 U.S.C. § 1063. If the registration is granted without opposition, the objection may still be raised in a "cancellation" proceeding under certain circumstances. Such a proceeding usually must be brought within five years from the date of registration. *Id.* § 1064. Opposition and cancellation proceedings are known as "*inter partes*" proceedings ("between parties," as opposed to the PTO's *ex parte* review of an application).

Oppositions, petitions for cancellation, and certain other proceedings are decided by the TTAB. "An inter partes proceeding before the Board is similar to a civil action in a federal district court." *TTAB Manual of Procedure* § 102.03, at 100-11. The proceedings are governed by the Federal Rules of Civil Procedure and the Federal Rules of Evidence, with limited exceptions set out in the TTAB's rules. *See* 37 C.F.R. §§ 2.116(a), 2.122(a). *Inter partes* proceedings are generally resolved by a three-judge panel of the TTAB.

In an opposition proceeding, the opposer is the plaintiff. 37 C.F.R. §§ 2.116(b). The opposer bears the burden of proof; if the opposition is not sustained, the registration must issue. 15 U.S.C. § 1063(b).

Decisions of the TTAB may be reviewed in either of two ways. A losing party may appeal directly to the Federal Circuit, or may instead file an action in a federal district court for review of the TTAB's decision. *See* 15 U.S.C. 1071.

2. Parties may also litigate "likelihood of confusion" directly in district court. The Lanham Act creates a civil right of action that allows the owner of a

registered mark to enforce its rights against any infringement that would create a likelihood of confusion. The statute provides for civil liability for "us[ing] in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is *likely to cause confusion*." 15 U.S.C. § 1114(1) (emphasis added).

B. The TTAB Rules That Respondent's Mark Creates A Likelihood Of Confusion With B&B's Mark

This dispute has a lengthy procedural history, most of which is irrelevant to the questions presented. The salient points for resolving those questions are that the TTAB has concluded that respondent's mark creates a likelihood of confusion with B&B's mark, but the Eighth Circuit has allowed respondent to relitigate that question before a jury, on the theory that the TTAB's decision answered a different question and so is not entitled to preclusion.

1. B&B and respondent[1] are both in the fastener business. B&B's signature product is a self-sealing fastener, sold under the name "SEALTIGHT," which is designed to seal any hole using a metal screw and a rubber washer. In 1990, B&B applied to register the mark "SEALTIGHT" for use on its fasteners. *See* Pet. App. 42a. No one opposed the application, and registration was granted in 1993. *Id.* at 42a n.1.

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[1] Respondent Hargis Industries does business as Sealtite Building Fasteners, which appears to have no separate corporate existence but is named as a party in some pleadings. This petition refers to Hargis/Sealtite as "respondent."

In 1996, respondent applied to register the mark "SEALTITE" for use on its own sealing fasteners (metal screws with rubber washers). *Id.* at 42a. Respondent initially asserted that it had used the mark since 1989, but it later withdrew that claim and asserted that it first used the mark in 1992, after B&B had already applied to register its mark.

B&B filed an opposition to respondent's application with the TTAB and an infringement action against respondent in federal district court (a different action from this case). The TTAB opposition proceeding was largely stayed while the infringement action proceeded.

The infringement action ended in judgment for respondent. *See B&B Hardware, Inc. v. Hargis Indus., Inc.*, 252 F.3d 1010 (8th Cir. 2001). That judgment, however, did not resolve the issues at stake before the TTAB (and in this proceeding). The district court did not decide whether respondent's mark created a likelihood of confusion. Instead, it rested on the notion that B&B's mark was "merely descriptive"; because B&B's mark has now become incontestable, that issue is no longer in the case. *See* Pet. App. 47a-48a.

2. The opposition proceeding resumed before the TTAB.[2] In discovery, respondent admitted that

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[2] In addition, respondent brought a separate proceeding before the TTAB to cancel B&B's registration. The TTAB initially thought that principles of issue preclusion required it to grant that cancellation application. *Sealtite Building Fasteners v. Bogatz*, Cancellation No. 26,016, 2002 WL 1453606 (TTAB July 1, 2002). On reconsideration, however, the TTAB recognized that respondent's cancellation petition was untimely, *see* 15 U.S.C. § 1064(c)(1), and denied it.

there had been actual incidents of customer confusion between B&B's "SEALTIGHT" fasteners and respondent's "SEALTITE" fasteners. B&B accordingly commenced this case, a civil action for infringement against respondent, in district court. *See infra* Section C.

Respondent contended that the previous judgment barred B&B from proceeding before the TTAB. The TTAB agreed that the district court's judgment was preclusive in one respect: it precluded B&B from relying on any common law rights, as distinct from the federal statutory rights of a registered trademark owner. Pet. App. 54a-55a. But because the district court had not ruled on the likelihood of confusion, B&B was not precluded from seeking a decision on that issue. *See id.* at 47a-48a; *B&B Hardware, Inc. v. Sealtite Building Fasteners*, Opposition No. 91155687, 2004 WL 1776636, at *3 (TTAB Aug. 6, 2004).

3. In 2007, following extensive discovery and deposition testimony subject to cross-examination, *see* Pet. App. 43a-44a, the TTAB sustained B&B's opposition and denied respondent's attempt to register the mark "SEALTITE." *Id.* at 41a-71a. The TTAB concluded that because the marks were "substantially identical" and "used on closely related products," respondent's mark was likely to cause confusion with B&B's. *Id.* at 70a.

The TTAB's decision reflected a balancing of the numerous factors that, under TTAB and Federal Circuit precedent, inform the likelihood-of-confusion analysis. Pet. App. 55a (citing *In re E.I. du Pont de Nemours & Co.*, 476 F.2d 1357 (C.C.P.A. 1973)). The TTAB concluded that the marks are highly similar,

id. at 56a-57a; that the goods are similar enough that the similar marks would confuse consumers, *id.* at 61a-62a; and that there was evidence of actual consumer confusion, even if not "especially compelling" evidence. The TTAB acknowledged that B&B's mark is not famous and that the parties' products move in different channels of trade, which cut in respondent's favor. *Id.* at 55a-56a, 62a-64a. Considering all the factors, but giving particular weight to the similarity of the marks and of the goods, the TTAB found a likelihood of confusion. *Id.* at 70a-71a. At the end of its decision, the TTAB added: "To the extent that any doubts might exist as to the correctness of our likelihood of confusion analysis, especially considering the prior determination that [B&B's] mark is merely descriptive and has not acquired secondary meaning, we resolve such doubts against [respondent]." *Id.* at 71a.

Respondent did not appeal the TTAB's decision to either the Federal Circuit or a district court.

C. The Eighth Circuit Disagrees With The TTAB's Finding Of Likelihood Of Confusion

The action then returned to district court, where B&B pressed its trademark-infringement action against respondent. Both the district court and, on appeal, a divided panel of the Eighth Circuit refused to accord preclusive effect to the TTAB's decision.[3]

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[3] Respondent raised a claim-preclusion defense, but the Eighth Circuit ruled that the judgment in the first civil action did not preclude B&B from bringing a new infringement action once its right to use its mark became incontestable under 15 U.S.C.

1. Before trial, B&B sought summary judgment based on the preclusive effect of the TTAB's decision on likelihood of confusion. The district court refused to grant summary judgment. Pet. App. 27a.

The case proceeded to trial. B&B sought to introduce the TTAB's decision into evidence. The district court precluded its admission. *Id.* at 3a, 28a-29a. The jury was told only of the TTAB's ultimate conclusion.

The jury found for respondent on the trademark-infringement claim.[4] B&B filed post-judgment motions, again seeking to have the TTAB's decision treated as preclusive or at least admitted into evidence. The district court denied those motions. Pet. App. 27a-29a.

The district court's sole rationale for rejecting preclusion was that "the findings were made by the TTAB" and not "affirmed by . . . an Article III court." *Id.* at 28a. The district court also reiterated its decision to bar the TTAB's decision from evidence, principally because "not all of the factors" that the TTAB relied upon are factors in the Eighth Circuit's own multi-factor test for likelihood of confusion. *Id.* at 28a-29a.

Finally, the district court assessed both costs and attorney's fees against B&B, under the Lanham Act's attorney's-fee provision. The court found that B&B's Lanham Act claim was so extraordinary as to justify awarding fees against B&B. Dkt. No. 242.

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§ 1065. *See B&B Hardware, Inc. v. Hargis Indus., Inc.*, 569 F.3d 383, 388 (8th Cir. 2009).

[4] The jury also found for respondent on other claims and counterclaims not at issue here. Pet. App. 21a-22a.

2. On appeal, a divided panel of the Eighth Circuit affirmed. Pet. App. 1a-20a.

The panel majority refused to apply issue preclusion because it thought "the same likelihood-of-confusion issues were not decided by the TTAB as those brought in the action before the district court." Pet. App. 7a. No other element of preclusion was at issue. *Id.* at 8a.

The Eighth Circuit noted that the TTAB applies the thirteen-factor *DuPont* test for likelihood of confusion, whereas the Eighth Circuit has its own six-factor test, set out in *SquirtCo v. Seven-Up Co.*, 628 F.2d 1086 (8th Cir. 1980), and only "some" of the factors overlap. Pet. App. 8a-9a. The majority viewed the TTAB as having given inadequate weight to "the marketplace usage of the marks and products." *Id.* at 10a. The panel majority acknowledged that the TTAB had *considered* the "market usage of the products," *id.* at 9a, but had held those facts to be outweighed by the similarity of the marks and the goods, *id.* In the Eighth Circuit's view, the evidence of "marketplace usage" was "critical" to the issue before it, and so the TTAB's approach was not "appropriate" to an infringement proceeding. *Id.* at 10a.[5]

The majority also added an observation about the burden of proof. It gave some citations for the proposition that a party's "failure to carry the burden of persuasion" in one proceeding is not preclusive in a second proceeding where that party does not have

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[5] The court of appeals did not endorse the district court's apparent view that TTAB decisions may never be preclusive. *See id.* at 7a (noting that applying collateral estoppel to administrative tribunals' decisions "may be appropriate," but only "[a]ssuming" that TTAB rulings "may be entitled to preclusive effect").

the burden. Pet. App. 10a-11a (citations omitted). "Thus," it observed, "the fact that [respondent] was unable to overcome B&B's challenge to the registration of [respondent's] mark on the basis of likelihood of confusion does not establish that B&B can meet its burden of persuasion for trademark infringement purposes." *Id.* at 11a.

The majority also rejected B&B's claims for lesser relief. It declined to instruct the district court to give greater deference to the TTAB's findings (finding B&B's case citation distinguishable). *Id.* at 11a-12a. And it sustained the district court's decision to exclude the TTAB's opinion, reiterating the view that the issues before the TTAB were different from the issues before the district court. *Id.* at 12a-13a.

Finally, the majority sustained the award of attorney's fees against B&B. Even though the TTAB had ruled in B&B's favor, the panel nonetheless characterized B&B's Lanham Act claim as sufficiently "groundless" to warrant an award of fees. Pet. App. 14a. The panel did reduce the award slightly, because the district court erroneously awarded fees even for an appeal on which B&B prevailed, *id.*; the district court has now entered judgment against B&B for more than $540,000 in attorney's fees. Dkt. No. 310.

3. Judge Colloton dissented. Pet. App. 14a-20a. He warned that the majority's rule was "tantamount to holding that a finding of the [TTAB] on likelihood of confusion will never be preclusive in an infringement action." *Id.* at 18a.

Judge Colloton concluded that the issues before the TTAB and the district court were in fact the same.

Id. at 17a-19a. That the TTAB relied on different factors than the ones recited in the Eighth Circuit's *SquirtCo* precedent reflects only a "[m]odest difference in analytical approach," not a full-scale rupture between two different concepts of likelihood of confusion." *Id.* at 17a. The TTAB did look at the "entire marketplace context"; while it weighed that factor differently than the Eighth Circuit would, that is no reason to deny preclusion, Judge Colloton stated. *Id.* at 18a. Indeed, he noted, every one of the various federal judicial circuits has a different test for likelihood of confusion, each with its own list of factors—yet one circuit's decision still has preclusive effect in another, as between the same parties. *Id.* at 17a-18a.

Ultimately, Judge Colloton stated, the panel majority simply *disagrees with* the TTAB's analysis, based on its own precedent. But "issue preclusion prevent[s] relitigation of wrong decisions just as much as right ones. Otherwise, the doctrine[] would have no effect and be useless." *Id.* at 19a (citing *Clark v. Clark*, 984 F.2d 272, 273 (8th Cir. 1993)).

Judge Colloton also refuted the panel majority's observation about the burden of proof. In this case, he stated, "the burden of persuasion was not material to the [TTAB's] decision." *Id.* The TTAB mentioned it in a single sentence, only after the TTAB had completed its analysis, and only "[t]o the extent that any doubts might exist." *Id.* At most, therefore, it was "an alternative holding based on an uncertain contingency," and it could not undermine the preclusive effect of the TTAB's decision. *Id.* at 20a.

Finally, Judge Colloton rejected the district court's different, even more categorical holding that TTAB

decisions may never be preclusive because the TTAB is an administrative body. *Id.* at 16a.

4. The court of appeals denied rehearing. Pet. App. 39a-40a.

REASONS FOR GRANTING THE WRIT

Under the law of judgments, litigants get *one* full and fair opportunity to litigate a particular legal issue. Once that issue is litigated to final judgment, the first tribunal's decision binds all other subsequent tribunals deciding the same issue. In this case, the Eighth Circuit disregarded that bedrock principle by declaring that the issue before it had *not* previously been decided—even though under the Lanham Act, both the TTAB and the district court were to decide whether respondent's mark was "likely to cause confusion" with B&B's. After taking extensive evidence and considering the marketplace context, the TTAB decided that respondent's mark would cause confusion. By allowing respondent to re-litigate the same issue, the Eighth Circuit created a split with the Federal Circuit and several other regional circuits, which themselves have varying approaches—under all of which B&B would have prevailed. Moreover, the Eighth Circuit seriously misapplied the law of judgments. This Court should grant review to resolve the conflict and correct the error on this important and recurring issue.

I. The Court of Appeals' Decision Conflicts With Decisions Of Other Courts Of Appeals

The Eighth Circuit refused to apply collateral estoppel primarily because it thought that the "likeli-

hood of confusion" issue that the TTAB considers is somehow different from the "likelihood of confusion" issue that infringement litigation presents. That decision creates an intolerable conflict among the appellate courts. First, the TTAB itself and its reviewing court, the Federal Circuit, treat the "likelihood of confusion" issue as identical in both contexts. District court judgments in infringement actions get preclusive effect before the TTAB and Federal Circuit, but under the Eighth Circuit's ruling, the TTAB's judgments will not get preclusive effect in district court. Those approaches cannot be reconciled. Either "likelihood of confusion" presents the same issue in both forums, in which case the first decision is preclusive (whether by the TTAB or a district court), or the issues are not the same, in which case no preclusion should apply in either forum. If A equals B, then B must equal A. This Court should decide whether preclusion runs both ways, or neither.

Second, the Eighth Circuit stands alone in refusing to accord either preclusive effect or heavy weight to the TTAB's judgments in "likelihood of confusion" cases like B&B's. The Second, Third, and Seventh Circuits have all endorsed preclusion under these circumstances—although they are divided among themselves about where to draw the line. Two other circuits, the Fifth and Eleventh, would deny preclusion but afford the TTAB's decision a heavy presumption of correctness. While B&B would win reversal under the approach of any of those five other circuits, the differences in approach further heighten the need for this Court's review of the questions presented.

A. The Eighth Circuit Will Not Give Preclusive Effect To TTAB And Federal Circuit Decisions, But The TTAB And Federal Circuit Routinely Give Preclusive Effect To District Court Judgments

The Eighth Circuit concluded that "likelihood of confusion" means different things to the TTAB, in cancellation proceedings, and to district courts (or at least to district courts in the Eighth Circuit), in infringement proceedings. As Judge Colloton pointed out, that is "tantamount to holding that a finding of the Trademark Board on likelihood of confusion will never be preclusive in an infringement action." Pet. App. 18a.

But where the Eighth Circuit sees divergence, the TTAB and the Federal Circuit see perfect identity. The TTAB regularly applies preclusion to district courts' "likelihood of confusion" findings, because the TTAB believes it *is* deciding the same issue that district courts decide. And the Federal Circuit, which has direct appellate authority over TTAB decisions, has ratified the TTAB's approach. The conflict between the Eighth Circuit and the Federal Circuit introduces a significant asymmetry into federal trademark practice, which alone is a sufficient basis for review by this Court.

In a long line of decisions, from the 1960s to just a few months ago, the TTAB has consistently been willing to give preclusive effect to a district court's "likelihood of confusion" finding. *See, e.g.*, *Midland Cooperatives, Inc. v. Midland Int'l Corp.*, 421 F.2d 754, 756 (C.C.P.A. 1970) (district court found no likelihood of confusion, and TTAB accordingly held the losing party "estopped" from relitigating that issue);

Black Box Corp. of Pa. v. Betterbox Commc'n, Opposition Nos. 91107800 & 91107801, 2003 WL 22969340, at *3-4 (TTAB Dec. 11, 2003); *Bros. Research Corp. v. Dura Lube, LLC*, Opposition No. 91101367, 2006 WL 1968613, at *5 (TTAB July 5, 2006); *GMA Accessories, Inc. v. Dorfman-Pac. Co.*, Opposition No. 91196926, at 9-11 (TTAB June 7, 2013) ("The likelihood of confusion issue presented here is identical to that presented in the civil suit, involving the same marks and the same parties. . . . Where the findings of the federal court regarding likelihood of confusion are binding on the Board, the parties may not now relitigate the likelihood of confusion issue before the Board.").

Throughout that time period, the Federal Circuit and its predecessor have held that the TTAB's approach is the correct one. For instance, in *Midland Cooperatives*, the Court of Customs and Patent Appeals agreed that the "likelihood of confusion" issue had been "competently resolved" in infringement litigation in district court, and that there was "no other alternative" but to dismiss the TTAB proceedings on preclusion grounds because the party that had lost in district court was seeking to relitigate the same issue. 421 F.2d at 758.[6] Similarly, in *Mother's Restaurant Inc. v. Mama's Pizza, Inc.*, 723 F.2d 1566 (Fed. Cir. 1983), the TTAB accorded preclusive effect to a *state* court judgment finding no likelihood of confusion. The Federal Circuit affirmed: the issue of "confusing similarity" was the same, the court held, so "a trial in connection with the cancellation petition

[6] Decisions of the Court of Customs and Patent Appeals remain binding on the Federal Circuit. *See South Corp. v. United States*, 690 F.2d 1368, 1369, 1370 (Fed. Cir. 1982) (en banc).

would only be a replay of the state court proceedings." *Id.* at 1570. The court of appeals emphasized that "[t]he prime purpose of the doctrine of issue preclusion is to avoid this type of repetitious litigation." *Id.* *See also Jet, Inc. v. Sewage Aeration Sys.*, 223 F.3d 1360, 1365-66 (Fed. Cir. 2000) (remanding for the TTAB to consider issue preclusion and citing both *Mother's* and *Midland* for the proposition that a judicial finding of likelihood of confusion "will allow issue preclusion to operate, if the issues are indeed identical").[7]

Thus, while the Eighth Circuit may think the TTAB in cancellation cases is deciding (and the Federal Circuit is reviewing) a different question from the one presented in infringement litigation, the TTAB and the Federal Circuit are firmly of the opposite view. The TTAB and Federal Circuit have repeatedly treated opposition proceedings before the Board as involving the very same "likelihood of confusion" issue that district courts face in infringement litigation. Thus, the TTAB and Federal Circuit would undoubtedly have treated a district court decision on likelihood of confusion as preclusive, if it had

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[7] The Federal Circuit has recognized that sometimes, as a factual matter, litigation before the TTAB involves a broader class of goods than an infringement litigation over a particular product, in which case the TTAB may find confusion where a district court finds none. *See, e.g., Levi Strauss & Co. v. Abercrombie & Fitch Trading Co.*, 719 F.3d 1367, 1373-74 (Fed. Cir. 2013). But the Federal Circuit noted that a district court finding of likely confusion *would* bind the TTAB. *Id.* at 1374. Furthermore, there was no such difference in scope between the TTAB and district court proceedings here, and the Eighth Circuit did not hold that there was; instead, it held that as a *legal* matter the TTAB had answered a different question than the one before the district court. *See* Pet. App. 10a.

come first.[8] The Eighth Circuit should have afforded the TTAB's decision the same respect.

B. The Eighth Circuit's Decision Also Conflicts With Decisions Of Other Regional Circuits

The Eighth Circuit is alone among the regional circuits in its view that "likelihood of confusion" necessarily means different things before the TTAB and the district courts. Other circuits have routinely accorded preclusive effect to TTAB decisions on the likelihood of confusion. The Second Circuit has taken a somewhat different, more fact-sensitive approach, but the TTAB's decision in B&B's case plainly would meet the Second Circuit's standard for issue preclusion. And two other circuits, even while denying preclusion, have accorded precisely the type of deference to TTAB findings that the court of appeals rejected in this case. The split among the regional circuits therefore is not only multidimensional, it was outcome-determinative in this case.

1. The Third and Seventh Circuits Have Applied Issue Preclusion Under Identical Circumstances

The Third and Seventh Circuits have unambiguously accorded preclusive effect to TTAB decisions on the likelihood of confusion. As Judge Colloton emphasized, these cases would alone be enough to create a circuit conflict.

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[8] In fact, respondent itself sought to rely on preclusion before the TTAB. *See* p. 6, *supra*. But the district court did not decide likelihood of confusion in the first action, so respondent could not benefit from issue preclusion on that question. *See* Pet. App. 47a-48a.

In *Jean Alexander Cosmetics, Inc. v. L'Oreal USA, Inc.*, 458 F.3d 244 (3d Cir. 2006), *cert. denied*, 549 U.S. 1305 (2007), the Third Circuit extensively examined the applicability of issue preclusion and concluded that a Lanham Act litigant was precluded by the TTAB's prior finding on likelihood of confusion. In particular, the Third Circuit recognized that the legal issue before the two tribunals was the same.

Before the TTAB, L'Oreal petitioned to cancel Jean Alexander's registration on grounds of likelihood of confusion; the TTAB denied the petition, concluding (among other things) that there was no likelihood of confusion between L'Oreal's mark and Jean Alexander's. *Id.* at 246-47. Jean Alexander then sued L'Oreal for infringing its mark. The district court and the Third Circuit both held that the TTAB's finding on likelihood of confusion precluded Jean Alexander from bringing the infringement action.

"Having raised and litigated this specific claim" concerning likelihood of confusion before the TTAB, the Third Circuit wrote, "Jean Alexander cannot now avoid the Board's determination of it because its own interests *or the litigation context* ha[s] changed." *Id.* at 256 (emphasis added). The identity of the issue was key to the Third Circuit's decision. Indeed, although Jean Alexander did not contest that it had actually litigated the same issue, *see id.* at 249, the Third Circuit nonetheless took pains to examine exactly what the TTAB had considered, because likelihood of confusion was only one of the alternative grounds on which the TTAB had ruled. The Third Circuit emphasized that because the same issue had been "actually litigated" before the TTAB and, indeed, had been central to those proceedings, it was

appropriate to apply issue preclusion even though the TTAB had ruled on other grounds as well. *Id.* at 254. Failing to apply preclusion against Jean Alexander, the court concluded, "would significantly weaken the principle that 'later courts should honor the first actual decision of a matter that has been actually litigated.'" *Id.* (quoting 18 Charles Alan Wright et al., *Federal Practice and Procedure* § 4416, at 386 (2d ed. 2002)).

The Seventh Circuit has reached a similar conclusion and applied preclusion to the TTAB's findings on lack of confusion. *EZ Loader Boat Trailers, Inc. v. Cox Trailers, Inc.*, 746 F.2d 375 (7th Cir. 1984). Just as in this case, the TTAB denied a trademark registration based on likelihood of confusion. *Id.* at 376. The Federal Circuit affirmed. *Id.* EZ, which lost before the TTAB, contended that the TTAB was not authorized to decide the question of infringement under the Lanham Act. *Id.* at 377-78. That did not matter, the Seventh Circuit held, because the TTAB did decide the *issue* in question—"whether a likelihood of confusion exists between EZ's and Cox's marks." *Id.* at 377.[9] And the TTAB examined "not only the marks in isolation," but also evidence of the marketplace context in which they were used. *Id.* at 379. Accordingly, the Seventh Circuit concluded that EZ had had a full and fair opportunity to litigate the same issue before the TTAB, and should not have

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[9] *See also EZ Loader Boat Trailers, Inc. v. Cox Trailers, Inc.*, 568 F. Supp. 1229, 1230-31 (N.D. Ill. 1983) (discussing in further detail why "the identity of issues prong of the collateral estoppel test has been met"), *aff'd*, 746 F.2d 375 (7th Cir. 1984).

another chance to litigate the issue in federal district court.[10]

If this action had proceeded in the Third or Seventh Circuits, preclusion would have applied and B&B would have prevailed. Under *Jean Alexander* and *EZ Loader*, respondent could not have prevailed on its argument that "likelihood of confusion" in district court and "likelihood of confusion" before the TTAB present different issues.

2. The Second Circuit Has Applied A Distinct Approach That Would Require Preclusion On The Facts Of This Case

Both the panel majority and Judge Colloton in dissent sought support from the Second Circuit's approach to the preclusion issue. Pet. App. 10a, 18a. But Judge Colloton correctly understood that the Second Circuit's rule favors B&B in this case. As a way of ensuring that the issues before the TTAB and the district court truly are the same, the Second Circuit

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[10] Although the Seventh Circuit in *EZ Loader* referred to giving preclusive effect to the Federal Circuit's decision affirming the TTAB, rather than to the TTAB's decision, the Seventh Circuit's reasoning is equally controlling when the litigant that loses before the TTAB decides to *forgo* either of the statutory avenues of judicial review. The Seventh Circuit's reasoning focused on the TTAB's "acting in a judicial capacity" to decide the same issue raised in the infringement action. *Id.* at 377, 378. Courts in the Seventh Circuit thus have read the decision as *requiring* that a TTAB decision receive preclusive effect, whether or not it was appealed. *See, e.g., Brandt Indus., Ltd. v. Pitonyak Mach. Corp.*, No. 1:10-cv-0857, 2012 WL 3257886, at *8 n.7 (S.D. Ind. Aug. 8, 2012); *see also, e.g., C&N Corp. v. Kane*, No. 12-C-0257, 2013 WL 2947777, at *1, *6-8 (E.D. Wis. June 14, 2013) (according preclusive effect to a TTAB decision on likelihood of confusion that was not appealed).

asks whether the TTAB heard evidence about the likelihood of confusion in the entire marketplace context. Here it did, as Judge Colloton stated. *Id.* at 18a. The Second Circuit's test does *not* make preclusion turn on whether the TTAB elevates evidence of marketplace context above all other factors, as the majority here thought.

The Second Circuit's test is set out most fully in *Levy v. Kosher Overseers Ass'n of Am.*, 104 F.3d 38 (2d Cir. 1997). As the Second Circuit explained, endorsing the view of the leading treatise in the field, "where the [TTAB] has indeed compared conflicting marks in their *entire marketplace context*, the factual basis for the likelihood of confusion issue is the same, the issues are the same, and collateral estoppel is appropriate." *Id.* at 42 (quoting 4 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 32:1[2], at 32-125 (3d ed. 1996) (*McCarthy*)); *see also* 6 *McCarthy* § 32:101, at 32-231 (4th ed. 2012).

The Second Circuit's test rules out collateral estoppel in cases where the TTAB looks at the marks divorced from their marketplace context. Thus, for instance, in *Jim Beam Brands Co. v. Beamish & Crawford Ltd.*, 937 F.2d 729 (2d Cir. 1991), the TTAB "only compared the typewritten names and sounds of the two trademarks." *Levy*, 104 F.3d at 42. Similarly, in *Levy*, "the TTAB relied solely on a visual examination of the two marks." *Id.* To warrant preclusion, "the TTAB or the Federal Circuit must have taken into account, in a meaningful way, the *context* of the marketplace." *Id.* The Second Circuit did not hold that the TTAB must balance the factors the same way that the Second Circuit would, only that it

must look at the marketplace as well as the marks. *See, e.g., Alberto-Culver Co. v. Trevive, Inc.*, 199 F. Supp. 2d 1004, 1012, 1015 (C.D. Cal. 2002) (following the Second Circuit's approach and applying preclusion because "[a]ny fair reading of the [TTAB] and Federal Circuit opinions demonstrates that both . . . meaningfully considered the entire marketplace context in determining the likelihood of confusion issue").

Here, too, the TTAB unquestionably examined the marketplace, not just the marks. *See* Pet. App. 18a (Colloton, J., dissenting). It considered the extent to which B&B and respondent's products "would or could be encountered by the same persons," *id.* at 60a-61a; evidence of actual customer confusion in the market, *id.* at 68a-70a; the effect of segmentation in the fastener market, *id.* at 61a, 64a; and the companies' channels of trade, *id.* at 62a-64a. Under the Second Circuit's standard, B&B would be entitled to preclusion.

3. The Fifth and Eleventh Circuits Withhold Preclusion But Substitute A Form Of Deferential Review

Two other circuits—the Fifth Circuit and its descendant, the Eleventh—follow a 1974 precedent that incorrectly denies preclusive effect to TTAB decisions. That precedent prevents the law of preclusion from developing in those circuits and further strengthens the case for review by this Court. Moreover, those circuits apply a form of deference to the TTAB as a substitute for preclusion. The Eighth Circuit failed even to accord that level of deference to the TTAB's conclusions because it disagreed with the

weight the TTAB gave certain factors. Thus, even adopting the Fifth and Eleventh Circuit's approach would be enough to reverse the judgment below.

Nearly forty years ago, the Fifth Circuit held that TTAB decisions cannot be preclusive. *Am. Heritage Life Ins. Co. v. Heritage Life Insurance Co.*, 494 F.2d 3, 9-10 (5th Cir. 1974). The Fifth Circuit concluded that Congress itself had made TTAB decisions subject to relitigation. The Fifth Circuit thought that TTAB decisions could be reviewed *de novo* on *appeal* to a district court; so, the court reasoned, those decisions can also be relitigated in later suits in district court. *Id.* at 9. The court concluded that the existence of an appeal "in the nature of a trial de novo" in district court "indicates a congressional intent not to invoke the immunizing doctrines of res judicata or collateral estoppel in connection with Patent Office proceedings." *Id.*

Significantly, however, the Fifth Circuit did not authorize full relitigation *de novo*. The court recognized that depriving the TTAB's decision of *all* future effect would waste the agency's "expertise" and disserve the "useful purpose [of] preventing the relitigation of issues properly determined administratively." *Id.* at 9. Accordingly, the Fifth Circuit held that district courts—including those hearing "infringement and cancellation action[s]"—"must" accept the TTAB's "findings as to confusing similarity of marks . . . as controlling unless the contrary is established by 'evidence which, in character and amount carries thorough conviction.'" *Id.* (some internal quotation marks omitted).

Following *American Heritage* as binding precedent,[11] the Eleventh Circuit has likewise held that a TTAB decision is entitled to great weight but not to preclusive effect. *See Freedom Sav. & Loan Ass'n v. Way*, 757 F.2d 1176, 1180, 1181 (11th Cir. 1985). The Eleventh Circuit reiterated that, "out of respect for the expertise of the TTAB," it follows the rule that "the findings of the TTAB *will control* in a subsequent infringement suit unless the contrary is established by evidence that, in character and amount, carries 'thorough conviction.'" *Id.* at 1181 (quoting *American Heritage*, 494 F.2d at 10) (emphasis added).

The Fourth Circuit has followed a somewhat similar approach in an unpublished decision. "At the very least," the Fourth Circuit wrote, the TTAB's "findings should be considered 'powerful *evidence*' of the presence (or lack thereof) of one or more of the factors that must be considered in an infringement action." *Miguel Torres, S.A. v. Cantine Mezzacorona, S.c.a.r.l.*, 108 F. App'x 816, 820 (4th Cir. 2004). Even in that unpublished decision, one judge took the trouble to add his view that the court should "give presumptive validity to the findings of the Patent and Trademark Office which have survived both administrative review and review by the Federal Circuit." *Id.* at 821 (Widener, J., concurring and dissenting).

The Fifth and Eleventh Circuits' rules would require a different outcome in this case. The Eighth Circuit did not treat the TTAB's decision as pre-

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[11] *See Bonner v. City of Prichard*, 661 F.2d 1206, 1207 (11th Cir. 1981) (en banc) (adopting as circuit precedent all Fifth Circuit decisions handed down before the Eleventh Circuit's creation).

sumptively "controlling," nor did it assess the evidence presented at trial under the demanding "thorough conviction" standard.[12] To the contrary, it refused to do so based on its belief that that standard applies only in proceedings to review TTAB decisions. Pet. App. 12a. But the Fifth Circuit specifically held that the deferential standard applies to "infringement and cancellation action[s]" in district court, *American Heritage*, 494 F.2d at 10. And the Eleventh Circuit, following *American Heritage*, likewise has applied the deferential standard in an infringement action. *Freedom Savings*, 757 F.2d at 1179, 1181.

As discussed below, the Fifth and Eleventh Circuits' approach ultimately is inadequate. TTAB decisions are subject to judicial review, but if a litigant does not take that option, the TTAB's decision becomes final. And a final decision by a specialized tribunal should not be second-guessed by a court in a later case, even if that court has a "thorough conviction" that the TTAB has erred. But the sharp divide between those circuits' approach and the Eighth Circuit's rejection of it unquestionably bolsters the need for certiorari review.

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[12] The district court asserted in the alternative that the TTAB's findings failed the "thorough conviction" standard. Pet. App. 28a. The Eighth Circuit did not reach that question. And if this Court were to reverse and remand for application of such a standard, the district court's decision could not stand. For one thing, the jury was never instructed that respondent must meet such an elevated burden of proof, nor did it even have the benefit of the TTAB's actual decision. (Both *American Heritage* and *Freedom Savings & Loan* involved review of judges' decisions following bench trials. *See Freedom Savings*, 757 F.2d at 1179; *American Heritage*, 494 F.2d at 8.)

II. The Eighth Circuit Has Incorrectly Resolved An Important And Recurring Issue

There is only one Lanham Act. Applying the statutory phrase "likely . . . to cause confusion" is the same endeavor, whether it occurs before the TTAB or in district court. To be sure, the TTAB and individual federal courts sometimes differ in construing that statute, just as federal courts regularly do until this Court settles the differences. But those differences do not justify allowing respondent to seek a new answer in district court to a question that a competent tribunal (indeed, an expert one) has already resolved after thorough and fair proceedings.

A. The Eighth Circuit Misapplied The Law Of Preclusion

As this Court has often said, the application of preclusion "is a rule of fundamental and substantial justice" that "serves vital public interests beyond any individual judge's ad hoc determination of the equities in a particular case." *Federated Dep't Stores, Inc. v. Moitie*, 452 U.S. 394, 401 (1981). A particular legal question should be resolved definitively the first time around; the first resolution remains definitive "even if the issue recurs in the context of a different claim." *Taylor v. Sturgell*, 553 U.S. 880, 892 (2008). And the need to respect the first resolution is not "altered by the fact that the judgment may have been wrong." *Federated Dep't Stores*, 452 U.S. at 398.

The court of appeals, however, has adopted a position that would prevent the TTAB's decisions on likelihood of confusion from ever being treated as definitive. Indeed, the logic of the court of appeals' posi-

tion likely would preclude *judicial* decisions from other circuits from being recognized as covering the same issue. Every circuit has its own multifactor balancing test for assessing likelihood of confusion, ranging from six to thirteen factors. Every circuit considers different factors to be the most important. *See* Barton Beebe, *An Empirical Study of the Multifactor Tests for Trademark Infringement*, 94 Calif. L. Rev. 1581, 1582-83, 1598-99 (2006). And every circuit's test is different from the Eighth Circuit's test in some way. *See id.* at 1591 tbl.1 (depicting the circuit's tests in tabular form). Accordingly, as Judge Colloton pointed out in dissent, it is hard to see why the Eighth Circuit's position would not compel courts in that circuit to re-examine *judicial* decisions as well as administrative ones. Pet. App. 17a-18a.

In fact, in this context, rejecting administrative decisions based on a difference in approach is even *less* legitimate than rejecting judicial decisions would be. The Eighth Circuit's elevation of its own approach to the Lanham Act over the TTAB's ignores the proper allocation of interpretive authority. The TTAB is the expert tribunal, appointed by the Secretary of Commerce, with the duty to construe the Lanham Act in the first instance and resolve ambiguities in trademark law. *See, e.g.*, *Kohler Co. v. Moen Inc.*, 12 F.3d 632, 634 (7th Cir. 1993) (applying *Chevron* deference to TTAB rulings); *Buti v. Perosa, SrL*, 139 F.3d 98, 105 (2d Cir. 1998). To the extent that the likelihood-of-confusion test reflects case-by-case policy judgments, they are properly the agency's to make. The Eighth Circuit had no warrant to substitute its own preference for how the various factors should be balanced.

The Eighth Circuit's position is shared by no other court of appeals. Accordingly, it significantly worsens the situation observed by Professor McCarthy in the leading treatise:

> [T]he courts have generally been too ready to deny preclusive status to findings of the Trademark Board. The volume of federal court litigation has become too pressing not to make use of the doctrine of collateral estoppel when the setting calls for it.

6 *McCarthy, supra*, § 32:99, at 32-228 (4th ed. 2013). This case is emblematic of those in which "the setting calls for" preclusion.

B. The Preclusion Question Warrants This Court's Review

Two aspects of the circuit conflict particularly call out for this Court's review. First, the Eighth Circuit's decision creates an invitation to forum-shop in seeking appellate review of TTAB decisions. The Federal Circuit has broadly sustained the TTAB's approach to preclusion; the Eighth Circuit has now effectively rejected it. And both of those courts play a role in reviewing the TTAB: the administrative tribunal's decisions can be appealed either to the Federal Circuit or to a district court, with review by a regional circuit. *See* 15 U.S.C. § 1071. Thus, in any case in which venue is proper in the Eighth Circuit, the TTAB's decision to apply preclusion in line with Federal Circuit precedent can be set aside by a district court that must follow the Eighth Circuit's precedent. Just as this Court often grants review to resolve a conflict between two appellate courts covering the same geographic jurisdiction, a conflict be-

tween the Federal Circuit and another court with concurrent appellate jurisdiction over the same subject matter is particularly deserving of review.

Second, the issue recurs frequently and deserves a nationwide resolution. "By far the most common basis" for rejection of a trademark registration by the PTO is a likelihood of confusion with an existing registered trademark. 3 *McCarthy, supra*, § 19:75, at 19-66 (4th ed. 2013). Thus, of the more than 5000 opposition and cancellation proceedings filed with the TTAB every year, a large number will turn on the TTAB's judgment as to likelihood of confusion. And virtually all of those cases potentially can give rise to infringement litigation. Of the more than 3000 trademark cases filed in federal court each year,[13] a significant proportion either have already been before the TTAB or will be. There is already a substantial body of law about when parallel litigation may go forward before those two tribunals simultaneously. *See, e.g.*, *Rhoades v. Avon Prods.*, 504 F.3d 1151, 1162-63 (9th Cir. 2007) (citing cases); *Driving Force, Inc. v. Manpower, Inc.*, 498 F. Supp. 21, 25-26 (E.D. Pa. 1980). Litigants deserve to know whether they will be pressing their cases on likelihood of confusion in one tribunal or two.

III. This Case Is An Appropriate Vehicle To Answer The Questions Presented

There can be no doubt that the questions presented would be dispositive in this case. Indeed, the district

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[13] *See* Administrative Office of the U.S. Courts, *Federal Judicial Caseload Statistics: March 31, 2012*, tbl.C-2, http://www.uscourts.gov/Statistics/FederalJudicialCaseloadStatistics/FederalJudicialCaseloadStatistics2012.aspx.

court treated B&B's likelihood-of-confusion claim as "groundless," with substantial monetary consequences, *see* Pet. App. 14a, despite B&B's meritorious argument that it should have prevailed on preclusion grounds based on the TTAB's ruling without the need to relitigate the issue at trial.

The Eighth Circuit squarely decided this case based on the notion that the "likelihood of confusion" issue was not the same issue that the TTAB resolved. Neither of the potential alternative bases for sustaining its judgment has any merit.

A. To The Extent The Eighth Circuit Relied On A "Burden-Shifting" Rationale, That Rationale Is Also Incorrect And Creates A Circuit Conflict

The Eighth Circuit briefly referred to the notion that preclusion should not apply where the burden has shifted between the proceedings. Pet. App. 10a-11a. Respondent may seek to defend the judgment on that ground. But in fact, B&B bore—and carried—the burden of persuasion before the TTAB. And even if the burden-shifting rationale could apply to the facts of this case, denying preclusion on that basis would create another circuit conflict.

The most fundamental reason that the burden-shifting rationale does not apply is that B&B bore the burden before the TTAB, just as it did in district court. "In an opposition proceeding, the opposer, as the party in the position of a plaintiff, has the burden of proof to establish that [the] applicant does not have the right to register its mark." 3 *McCarthy*, *supra*, § 20:3, at 20-10 (footnotes omitted) That is no less true for likelihood of confusion: "In a likelihood

of confusion case under [15 U.S.C. § 1052(d)], this burden requires an opposer to prove that it has some prior trademark right and that [the] applicant's mark is likely to cause confusion with that trademark." *Id.* § 20:15, at 20-42 (quoting *Life Zone Inc. v. Middleman Group, Inc.*, 87 U.S.P.Q.2d 1952, 1959, 2008 WL 2781162 (TTAB 2008)).

The TTAB's reference to resolving doubts, Pet. App. 71a, speaks only to how it as the decisionmaker chooses to balance the various factors collectively—*not* to who bears the burden of proof. And a difference in analytical approaches to the same issue is not a ground for resisting preclusion.

Second, as Judge Colloton pointed out (*id.* at 19a-20a), even construing the TTAB's final sentence as referring to the burden of proof, that reference made no difference in this case. The TTAB's decision demonstrates that the factors the TTAB found most compelling were proved by sound evidence, and the TTAB gave less weight to factors on which it thought the evidence was less compelling or neutral. *See, e.g.*, *id.* at 67a-68a, 70a.

Finally, even if the TTAB had placed the burden squarely on respondent (which it did not), the significance of that allocation would create its own circuit conflict and heighten the need for this Court's review. The Third Circuit rejected an indistinguishable argument in *Jean Alexander*. In that case, the unsuccessful party before the TTAB asserted in the federal courts that it had not borne the burden and therefore lacked a sufficient incentive to litigate the issue vigorously in that forum. The Third Circuit dismissed that rationale "out of hand." 458 F.3d at 258 n.5.

B. The TTAB's Status As An Administrative Tribunal Does Not Deprive Its Decisions Of Preclusive Effect

The district court appeared to rely on the notion that TTAB decisions are *never* entitled to preclusive effect unless they are reviewed by a federal court and affirmed. *See* Pet. App. 28a. The court of appeals correctly declined to rely on that rationale, *see id.* at 7a, and Judge Colloton ably debunked it. *Id.* at 16a-17a.

As noted above, the Fifth and Eleventh Circuits hold that position, although they mitigate it by applying a strong rule of deference. But that position is no longer tenable, under the law as it has evolved since the Fifth Circuit decided *American Heritage*. During that time, this Court has held that decisions by specialized administrative tribunals presumptively are entitled to preclusive effect. *E.g.*, *Astoria Fed. Sav. & Loan Ass'n v. Solimino*, 501 U.S. 104, 108, 109-10 (1991). And the Fifth Circuit's sole basis for denying preclusion—that the TTAB's judgments may be reviewed in district court—is inadequate to rebut that presumption, for three reasons.

First, the fact that a party could have sought judicial review of a first decision—but did not—is no reason to let that party seek a second decision from a second tribunal. *Federated Dep't Stores*, 452 U.S. at 400-01 (parties must live with the preclusion consequences of their "calculated choice to forgo their appeals"); *accord, e.g.*, *Univ. of Tenn. v. Elliott*, 478 U.S. 788, 792, 797-99 (1986) (affording preclusive effect to an agency decision where the losing party could have sought judicial review, but did not).

Second, the availability of judicial review is a factor *supporting* preclusion: it helps to establish that the first proceeding was sufficiently full and fair to bar a second proceeding. *See, e.g.*, *Kremer v. Chem. Constr. Corp.*, 456 U.S. 461, 484 (1982) (citing the availability of judicial review as a reason why giving preclusive effect to an agency decision affirmed on appeal did not violate the Due Process Clause). Many decisions by trial-level tribunals are reviewable *de novo* on appeal, but those decisions still are indubitably preclusive if they are not appealed. *See, e.g.*, *Ins. Corp. of Ir. v. Compagnie des Bauxites de Guinée*, 456 U.S. 694, 706 (1982) (even default judgments are preclusive in subsequent litigation). The same is true of decisions by a specialized administrative tribunal.

Third, the Fifth Circuit was simply incorrect in suggesting that when a party seeks review of a TTAB decision in district court rather than in the Federal Circuit, the party gets something "in the nature of a trial de novo." *Am. Heritage*, 494 F.2d at 9. As this Court subsequently made clear, courts ordinarily review decisions of PTO tribunals under the deferential "substantial evidence" standard set out in the Administrative Procedure Act (APA). *Dickinson v. Zurko*, 527 U.S. 150 (1999). While parties may submit new evidence to the district court, if they do not do so, the PTO tribunal's decision is reviewed deferentially. *See Cae, Inc. v. Clean Air Eng'g, Inc.*, 267 F.3d 660, 675-76 (7th Cir. 2001); *accord Hyatt v. Kappos*, 625 F.3d 1320, 1336 (Fed. Cir. 2010) (en banc) (stating the "well settled" rule "that a reviewing court must apply the APA's court/agency standard of review to [PTO] fact findings when no new ev-

idence is admitted in a [district court] action"), *aff'd*, 132 S. Ct. 1690 (2012).[14]

This Court has held that giving preclusive effect to an administrative tribunal's findings is fully "harmonious with general principles of collateral estoppel." *United States v. Utah Constr. & Mining Co.*, 384 U.S. 394, 421 (1966). The tribunal in *Utah Construction*, too, was subject to judicial review, under a standard not meaningfully different than the standard that applies to review of TTAB proceedings where no new evidence is adduced. *Id.* at 420. As the Court observed, where "both parties had a full and fair opportunity to argue their version of the facts and an opportunity to seek court review of any adverse findings," there can be "neither need nor justification for a second evidentiary hearing on these matters already resolved as between these two parties." *Id.* at 422.

* * * * *

"Application of [issue preclusion] is central to the purpose for which civil courts have been established, the conclusive resolution of disputes within their jurisdictions." *Montana v. United States*, 440 U.S. 147, 153 (1979). The Eighth Circuit's decision threatens to render TTAB decisions anything but conclusive. The result will be to double the burden on a trade-

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[14] Both *Zurko* and *Hyatt* involved decisions of the Board of Patent Appeals and Interferences, now known as the Patent Trial and Appeal Board, *see* 35 U.S.C. § 6 & note (Supp. V 2011). That entity is another tribunal within the PTO and is similar to the TTAB in most respects, including the availability of review either in the Federal Circuit or a district court. *See* 35 U.S.C. §§ 141, 145.

mark litigant—whether registrant or opposer, plaintiff or defendant.

This Court has reserved the "ultimate authority to determine and declare" the preclusive effect of a federal judgment. *Taylor*, 553 U.S. at 891. The Court should promptly exercise that authority, resolve the many lines of disagreement among the lower courts, and settle once and for all whether the TTAB may have the last word.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted.

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September 18, 2013

APPENDIX

APPENDIX A

United States Court of Appeals
For the Eighth Circuit

No. 10-3137

B & B Hardware, Inc., a California Corporation

Plaintiff – Appellant

v.

Hargis Industries, Inc., a Texas Corporation, doing business as Sealtite Building Fasteners, doing business as East Texas Fasteners; East Texas Fasteners, a business entity of form unknown; John Does, 1 through 10, inclusive

Defendants – Appellees

No. 11-1247

B & B Hardware, Inc., a California Corporation

Plaintiff – Appellant

v.

Hargis Industries, Inc., a Texas Corporation, doing business as Sealtite Building Fasteners, doing business as East Texas Fasteners; East Texas Fasteners, a business entity of form unknown; John Does, 1 through 10, inclusive

Defendants – Appellees

Appeal from United States District Court for the Eastern District of Arkansas – Little Rock

Submitted: April 17, 2012
Filed: May 1, 2013

Before LOKEN, COLLOTON, and SHEPHERD, Circuit Judges.

SHEPHERD, Circuit Judge.

Following our prior remand, *B&B Hardware, Inc. v. Hargis Industries, Inc.*, 569 F.3d 383 (8th Cir. 2009), the district court conducted a seven-day jury trial on B&B Hardware's ("B&B") claim of trademark infringement and unfair competition and on Hargis Industries' ("Hargis") counterclaims of false advertising and false designation of origin. The jury returned a verdict which rejected B&B's claims but found in favor of Hargis on its counterclaims. After the district court entered judgment on the jury's verdict, it awarded attorney fees and costs to Hargis. B&B now appeals, arguing that the district court should have given preclusive effect to the Trademark Trial and Appeal Board's ("TTAB") findings concerning the likelihood of confusion of the two companies' trademarks. B&B also appeals the award of attorney fees and costs. We affirm the decision of the district court except as to attorney fees. On the matter of attorney fees, we remand for recalculation of those fees.

I.

A more thorough review of the factual background of this case can be found in our prior decisions concerning these parties. *B&B Hardware, Inc. v. Hargis Indus., Inc. (Hargis II)*, 569 F.3d 383 (8th Cir. 2009); *B&B Hardware, Inc. v. Hargis Indus., Inc. (Hargis I)*, 252 F.3d 1010 (8th Cir. 2001). It is sufficient here to recall that B&B manufactures and

sells a fastener product under the name "Sealtight" that is used predominantly in the aerospace industry, whereas Hargis manufactures a line of self-drilling and self-taping screws that are commonly used in the construction of metal buildings under the "Sealtite" mark. For over 15 years, these parties have been locked in litigation over these similar marks.

Upon remand, and as predicted, B&B sought "to assert that the TTAB's determination made in 2007 that there is a likelihood of confusion between the two marks should be given preclusive effect by the district court on the claim of trademark infringement." *Hargis II*, 569 F.3d at 390 n.4. In 2007, the TTAB denied Hargis's attempt to register its "Sealtite" mark, concluding that there was a likelihood of confusion with B&B's "Sealtight" mark. The district court rejected B&B's claim that the TTAB decision should be given preclusive effect on the question of likelihood of confusion. The district court held that because the TTAB is not an Article III court, our prior decision in *Flavor Corp. of America v. Kemin Industries, Inc.*, 493 F.2d 275 (8th Cir. 1974), does not require that the court give preclusive effect to the TTAB's decision. The district court further rejected B&B's attempt to admit the TTAB decision into evidence, concluding that to do so would be confusing and misleading to the jury.

The jury returned a verdict fully in favor of Hargis, finding that there was no likelihood of confusion between the two marks. Thus, the jury rejected B&B's claims of trademark infringement and unfair competition. Hargis prevailed on its claims of false advertising and false designation of origin. The

district court entered judgment based on the jury's verdict and denied B&B's motion for judgment as a matter of law and for a new trial. The district court then granted Hargis's motion for attorney fees, holding that B&B's conduct of willfully and deliberately manufacturing evidence to support its trademark infringement claim make this an exceptional case where the award of attorney fees is appropriate under the Lanham Act.

B&B brings this appeal. It argues: (1) the district court erred in failing to instruct the jury to give preclusive effect to the TTAB's decision that there was a likelihood of confusion between the two marks; (2) even if the TTAB's decision was not preclusive, the district court abused its discretion in not giving the TTAB's fact-findings deference or admitting the TTAB's decision into evidence; and (3) the district court erred in concluding that the award of fees was warranted under the Lanham Act. We consider each of these claims in turn.

II.

In 2007, the TTAB denied Hargis's application for registration, determining that there was a likelihood of confusion between the two marks. B&B's primary argument in this appeal is that, under this court's decision in *Flavor Corp.*, the TTAB's decision concluding there is a likelihood of confusion between the Sealtight and Sealtite marks deserves preclusive effect on that question, which necessarily requires entry of judgment in favor of B&B on its trademark infringement claim. As this issue raises a question of law as to whether the application of collateral estoppel is appropriate, we review the question de

novo. *See Morse v. Comm'r*, 419 F.3d 829, 833 (8th Cir. 2005).

In *Flavor Corp.*, we addressed whether the defendant, Kemin Industries, was collaterally estopped from challenging the likelihood of confusion determination of the Court of Customs and Patent Appeals ("CCPA"). Under the facts of that case, the TTAB determined that, due to the phonetically similar marks used by Flavor Corporation and Kemin Industries, there was reasonable likelihood of confusion. Kemin appealed this decision to the CCPA, which then affirmed the TTAB's determination. When the trademark infringement action was filed, the district court determined that the CCPA's decision on the question of likelihood of confusion collaterally estopped Kemin from challenging that decision in the trademark infringement action.

We affirmed on appeal, holding, "[W]here the CCPA has found a likelihood of confusion between two similar marks in a cancellation proceeding, that fact is precluded from relitigation in a subsequent infringement action between the same parties under the doctrine of collateral estoppel." *Flavor Corp.*, 493 F.2d at 281. B&B argues that this holding compels this court to conclude that the district court erred when it refused to give preclusive effect to the findings of the TTAB. This is incorrect.

As the district court pointed out below, before we could apply collateral estoppel in *Flavor Corp.*, we had to confirm "that some question or fact in dispute ha[d] been judicially and finally determined by a court of competent jurisdiction between the same parties or their privies." *Flavor Corp.*, 493 F.2d at

279 (quotation omitted).[1] We then noted that the Seventh Circuit had declined in *John Morrell & Co. v. Doyle*, 97 F.2d 232 (7th Cir. 1938), to give CCPA determinations preclusive effect in subsequent infringement actions "because the CCPA was not an Article III court," but rather it "was merely an administrative arm of the Patent Office." *Flavor Corp.*, 493 F.2d at 280. We did not need to follow the *Doyle* decision, however, because subsequent to that decision in 1948, Congress made the CCPA an Article III court.[2] Because the CCPA had obtained the status of an Article III court at the time it issued its decision, we determined that its likelihood of confusion determination was entitled to issue preclusion. The TTAB is not an Article III court, and thus *Flavor Corp.* did not reach and is not persuasive on the question before this panel—whether the TTAB's likelihood of confusion determination is entitled to preclusive effect.

> Some courts will treat Trademark Board decisions as administrative judgments which carry full preclusive effect as to adjudicated facts,

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[1] This holding in *Flavor Corp.* was immediately beset with criticism by commentators and at least one other circuit. *See, e.g., Union Carbide Corp. v. Ever-Ready, Inc.*, 531 F.2d 366, 375-76 (7th Cir. 1976) (superceded on other grounds by statute) (citing critical commentary); *see also* 6 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 32:101 (4th ed. 2012) (citing *Flavor Corp.* when explaining, "Sometimes, the courts have overlooked these obvious differences [between the proof for likelihood of confusion for purposes of an opposition or cancellation and for purposes of trademark infringement] and focused only on the result of an *inter partes* case, ignoring the limited evidentiary basis on which the judgment was reached.")

[2] The CCPA was the predecessor to the United States Court of Appeals for the Federal Circuit.

> if these are the same facts which are in issue in the later court proceeding. Other courts will not give such judgments preclusive effect, but will give them some weight. Still other courts will recognize such judgments unless the contrary is established with thorough conviction.

6 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 32:96 (4th ed. 2012).

Principles of administrative law suggest that application of collateral estoppel may be appropriate where administrative agencies are acting in a judicial capacity. *See Univ. of Tenn. v. Elliott*, 478 U.S. 788, 791 (1986) (citing *United States v. Utah Constr. & Mining Co.*, 384 U.S. 394, 422 (1966)) ("We have previously recognized that it is sound policy to apply principles of issue preclusion to the factfinding of administrative bodies acting in a judicial capacity."). Assuming TTAB decisions may be entitled to preclusive effect, such application is not appropriate here because, as discussed below, the same likelihood-of-confusion issues were not decided by the TTAB as those brought in the action before the district court. When considering whether the application of issue preclusion is appropriate, we look at five elements:

> (1) the party sought to be precluded in the second suit must have been a party, or in privity with a party, to the original lawsuit; (2) the issue sought to be precluded must be the same as the issue involved in the prior action; (3) the issue sought to be precluded must have been actually litigated in the prior action; (4) the issue sought to be precluded must have been determined by a valid and final judgment; and (5) the determination in

> the prior action must have been essential to the prior judgment.

Robinette v. Jones, 476 F.3d 585, 589 (8th Cir. 2007) (quoting *Anderson v. Genuine Parts Co., Inc.*, 128 F.3d 1267, 1273 (8th Cir. 1997)). The element at issue in this case is the second one—whether the issue sought to be precluded is the same as the issue involved in the prior action. It was not here, and thus the district court properly declined to apply issue preclusion in these circumstances.

The Second Circuit recognized that "[i]ssues that may bear the same label are nonetheless not identical if the standards governing them are significantly different." *Jim Beam Brands Co. v. Beamish & Crawford Ltd.*, 937 F.2d 729, 734 (2d Cir. 1991). Accordingly, "the issue of likelihood of confusion in a cancellation proceeding may be different from the issue of likelihood of confusion in an action for infringement." *Id.* The Second Circuit adopted the rule from the McCarthy treatise that before preclusive effect is given to a TTAB decision, the decision "must be carefully examined to determine exactly what was decided and on what evidentiary basis." *Id.* (quoting 2 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 32:31 (2d. ed. 1984)).

The simple fact that the TTAB addressed the concept of "likelihood of confusion" when dealing with Hargis's attempt to register its mark does not necessarily equate to a determination of "likelihood of confusion" for purposes of trademark infringement. In reaching its determination, the TTAB used only 6 of the 13 factors from *In re E.I. DuPont DeNemours & Co.*, 476 F.2d 1357, 1361

(CCPA 1973): (1) the fame of B&B's Sealtight mark; (2) the similarity or dissimilarity of the marks in their entireties as to appearance, sound, connotation, and commercial impression; (3) the similarity or dissimilarity and nature of the goods; (4) the similarity or dissimilarity of established, likely-to-continue trade channels; (5) the degree of consumer care in purchasing; and (6) instances of actual confusion. The TTAB found the similarities in the appearance of the marks and the fact that both marks are assigned to fasteners supported a finding of likelihood of confusion. However, the TTAB also determined that the specific fasteners are significantly different products and are marketed to different industries and customers, and that those findings would not support a finding of likelihood of confusion. Despite the latter finding, the TTAB determined that, for registration purposes, the similarities of the marks trumped the market usage of the products in its likelihood-of-confusion analysis.

When considering the question of likelihood of confusion for purposes of trademark infringement, in this Circuit, courts apply the six-factor test from *SquirtCo v. Seven-Up Co.*, 628 F.2d 1086, 1091 (8th Cir. 1980). *SquirtCo* lists the following as factors to consider in assessing the likelihood of confusion: (1) the strength of the owner's mark; (2) the similarity of the owner's mark and the alleged infringer's mark; (3) the degree to which the products compete with each other; (4) the alleged infringer's intent to "pass off" its goods as those of the trademark owner; (5) incidents of actual confusion; and (6) the type of product, its costs and conditions of purchase. *Id.* Although some of the *E. I. DuPont* factors are the same or comparable to the *SquirtCo*

factors, "for collateral estoppel to apply, the [TTAB] must have examined the 'entire marketplace context'" as is done in trademark infringement actions. *See* 6 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 32:101 (4th ed. 2012) (citing *Levy v. Kosher Overseers Ass'n of Am., Inc.*, 104 F.3d 38, 43 (2d Cir. 1997)).

The TTAB found that the evidence of marketplace context—that the types of fasteners are different and marketed to vastly different industries and customers—weighed against a finding of likelihood of confusion. Despite this conclusion, the TTAB placed greater emphasis on the appearance and sound when spoken of the two marks and ultimately determined that there was a likelihood of confusion. While this approach may be appropriate when determining issues of registration, it ignores a critical determination of trademark infringement, that being the marketplace usage of the marks and products. *See Kemp v. Bumble Bee Seafoods, Inc.*, 398 F.3d 1049, 1054 (8th Cir. 2005) ("[O]ur comparison of the similarity between marks and products [for trademark infringement] must occur in a context that recognizes how consumers encounter the products and how carefully consumers are likely to scrutinize the marks."). Accordingly, application of issue preclusion in this case is not appropriate, as the TTAB in denying registration did not decide the same likelihood-of-confusion issues presented to the district court in this infringement action.

Further, "[f]ailure of one party to carry the burden of persuasion on an issue should not establish the issue in favor of an adversary who otherwise would have the burden of persuasion on that issue in a

later litigation." 18 Wright, Miller, and Cooper, Federal Practice and Procedure § 4422, at p. 59 (2d ed. 2002); *see Lane v. Sullivan*, 900 F.2d 1247, 1251-53 (8th Cir.), *cert. denied*, 498 U.S. 847 (1990); *Steelmet, Inc. v. Caribe Towing Corp.*, 747 F.2d 689, 693-94 (11th Cir. 1984). Thus, the fact that Hargis was unable to overcome B&B's challenge to the registration of Hargis's mark on the basis of likelihood of confusion does not establish that B&B can meet its burden of persuasion for trademark infringement purposes. As the district court found, the products, other than having similar names and both being fasteners, were not similarly priced, similarly marketed, or intended to be used in conjunction with or in substitution for one another. The district court properly refused to apply collateral estoppel to the TTAB's decision.

III.

B&B next argues that the district court should have given deference to the TTAB's findings regarding likelihood of confusion or allowed those findings to be admitted into evidence so that the jury could have considered them.

First, B&B argues that the TTAB decision concerning registration of a trademark is entitled to deference in this trademark infringement action. B&B relies upon one case—*Noah's, Inc. v. Nark, Inc.*, 560 F. Supp. 1253 (E.D. Mo. 1983)—to support its argument that deference is appropriate. In *Noah's, Inc.*, the court held as part of its review of the TTAB's registration decision that "the decision of the [TTAB] must be accepted as controlling on issues of fact unless the contrary is established by testimony which in character and amount carries

th[o]rough conviction." *Id.* at 1258 (quotation omitted). As the district court pointed out, the *Noah's, Inc.* holding was limited to the circumstances of that case—where a party brings a civil action pursuant to 15 U.S.C. § 1071(b) challenging the TTAB's decision regarding registration of a trademark. Here, no one is contesting the TTAB's decision to deny Hargis's registration of its mark under section 1071(b). Accordingly, we reject B&B's argument that the TTAB's factual findings from a trademark registration case are entitled to deference by the district court.

Next, we consider whether the district court abused its discretion when it refused to admit the TTAB's decision into evidence in this case. "Determinations as to the admissibility of evidence lie within the sound discretion of the district court, and we review those determinations under an abuse of discretion standard . . . ." *Brunsting v. Lutsen Mtns. Corp.*, 601 F.3d 813, 818 (8th Cir. 2010). Under Federal Rule of Evidence 403, the district court retains discretion to exclude relevant evidence "if its probative value is substantially outweighed by a danger of one or more of the following: unfair prejudice, confusing the issues, misleading the jury, undue delay, wasting time, or needlessly presenting cumulative evidence." Fed. R. Evid. 403. Here, the district court determined that admission of the TTAB's decision "would be highly confusing and misleading to the jury." (Order at 7.) The court noted that the jury and the TTAB do not use identical factors to determine likelihood of confusion and that "the TTAB applies its factors and analyzes the evidence in a manner significantly different than the jury is required to do in an infringement action." (*Id.*)

Further, the district court held that the TTAB's findings would be unfairly prejudicial to both Hargis and B&B.

We agree with the district court's analysis and add that over the seven-day trial, the jury was presented with evidence regarding likelihood of confusion as it pertains to the factors under which the jury decided the claim of trademark infringement. Much of that factual evidence was also presented to the TTAB in the registration action, and thus the probative value of the TTAB's ultimate conclusion is minimal. Accordingly, we hold that the district court did not abuse its discretion in excluding the TTAB's decision from the evidence presented to the jury.

IV.

Last, we address B&B's appeal of the award of attorney fees under the Lanham Act. Under the Lanham Act, "[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party." 15 U.S.C. § 1117(a). "When a plaintiff's case is groundless, unreasonable, vexatious, or pursued in bad faith, it is exceptional," and the district court is justified in awarding attorney fees to a defendant. *Scott Fetzer Co. v. Williamson*, 101 F.3d 549, 555 (8th Cir. 1996). Our review of a decision to award attorney fees is for an abuse of discretion. *Id.*

The district court determined that B&B's claim of trademark infringement met this standard after seven days of testimony. The district court focused on the fact that B&B went to great lengths to manufacture evidence in support of its claim, such as creating a false website developed with images from Hargis's website, contacting long-time Hargis

customers to create confusion with those customers, and making misrepresentations at trial and in B&B owner Larry Bogatz's deposition testimony. In light of these findings, which B&B does not contest, we cannot find an abuse of discretion in the award of attorney fees to Hargis, as these actions demonstrate B&B's claim of trademark infringement is groundless and unreasonable.

However, because the prior appeal brought by B&B resulted in a ruling in its favor, we do not agree with the district court's determination that it was also groundless and unreasonable. Accordingly, we remand this matter to the district court with directions to amend the award of attorney fees by deducting from the award Hargis's attorney fees for the prior appeal.

V.

We affirm the district court's denial of B&B's motion for judgment as a matter of law or alternative motion for a new trial based on its claim of issue preclusion. We also affirm the district court's evidentiary decisions. We remand the district court's award of attorney fees with directions to amend the award by deducting Hargis's attorney fees for the prior appeal.

COLLOTON, Circuit Judge, dissenting.

I reach a different conclusion on the question of collateral estoppel that is raised in this case. Because the Trademark Trial and Appeal Board previously decided the same question about likelihood of confusion that was at issue in the trial of this case, Hargis Industries should not have been permitted to relitigate that point. I would therefore

vacate the judgment of the district court and remand for further proceedings.

In 2007, the Trademark Board denied Hargis's application to register the mark SEALTITE, concluding that there was a likelihood of confusion between the proposed mark and B&B Hardware's mark SEALTIGHT. After considering all of the facts in evidence that were relevant to the factors bearing on the likelihood-of-confusion issue, *see In re E.I. DuPont DeNemours & Co.*, 476 F.2d 1357, 1361 (CCPA 1973), the Trademark Board determined that the most critical factors in the analysis of this case were the similarities of the marks and the similarity of the goods. The Board found that the marks are substantially identical and are used on closely related products. The Board also thought that anecdotal evidence of actual confusion lent support to its finding that when the two products are marketed under similar marks, consumers mistakenly believe that they came from the same source. The Board thus found that Hargis's mark SEALTITE so resembled B&B's mark SEALTIGHT as to be likely to cause confusion. Hargis did not seek judicial review of the Trademark Board's decision.

One issue presented to the jury in this case was whether Hargis used the trademark SEALTITE in a manner that was likely to cause confusion among customers or potential customers as to the source of B&B's products. B&B argued that Hargis was collaterally estopped from relitigating that question, because the Trademark Board already decided the point in B&B's favor. The district court disagreed, concluding that while a finding of an Article III court

such as the Court of Custom and Patent Appeals may have bound the parties in a subsequent action, *see Flavor Corp. of Am. v. Kemin Indus., Inc.*, 493 F.2d 275, 277-81 (8th Cir. 1974), a decision by the Trademark Board, an administrative agency, did not have that effect.

Although this court in *Flavor Corp.* noted and distinguished an old Seventh Circuit decision holding that determinations made by an administrative arm of the Patent Office were not entitled to collateral estoppel effect, *see John Morrell & Co. v. Doyle*, 97 F.2d 232 (7th Cir. 1938), the Supreme Court more recently emphasized that "giving preclusive effect to administrative factfinding serves the value underlying general principles of collateral estoppel: enforcing repose." *Univ. of Tenn. v. Elliott*, 478 U.S. 788, 798 (1986). Therefore, "[w]hen an administrative agency is acting in a judicial capacity and resolves disputed issues of fact properly before it which the parties have had an adequate opportunity to litigate, the courts have not hesitated to apply res judicata to enforce repose." *Id.* at 797-98 (quoting *United States v. Utah Constr. & Mining Co.*, 384 U.S. 394, 422 (1966)). There is good reason to apply this general proposition to decisions of the Trademark Board. *See Jean Alexander Cosmetics, Inc. v. L'Oreal USA, Inc.*, 458 F.3d 244, 250-56 (3d Cir. 2006) (applying collateral estoppel to a decision of the Trademark Board on likelihood of confusion). As the leading treatise in the field observes:

> [T]he courts have generally been too ready to deny preclusive status to findings of the Trademark Board. The volume of federal court litigation has become too pressing not to make

> use of the doctrine of collateral estoppel when the setting calls for it. The Trademark Board's function "is to determine whether there is a right to secure or to maintain a registration." If in the course of doing so factual issues are decided there is no policy reason why those factual questions should not be foreclosed from further re-litigation in court as long as the issues in the two cases are indeed identical and the other rules of collateral estoppel are carefully observed.

6 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 32:99 (4th ed. 2013) (footnote omitted). For these reasons, I respectfully disagree with the district court's apparent conclusion that collateral estoppel is inapplicable because the Trademark Board is an administrative body.

The majority does not adopt the district court's rationale, but nonetheless affirms the district court's ruling on the alternative ground that the Trademark Board "did not decide the same likelihood-of-confusion issues presented to the district court in this infringement action." *Ante*, at 9. One basis for this conclusion appears to be that the six factors considered by the Trademark Board in its analysis are not exactly the same as the six factors listed by this court for assessing likelihood of confusion in *SquirtCo v. Seven-Up Co.*, 628 F.2d 1086, 1091 (8th Cir. 1980). Modest differences in analytical approach to the same ultimate issue, however, do not justify dispensing with collateral estoppel, just as variations in analysis among the circuits about a legal issue does not mean that one circuit's decision lacks preclusive effect in another. *See, e.g., Georgia-Pacific Consumer Prods. v. Four-U*, 701 F.3d 1093, 1101

(6th Cir. 2012) (applying issue preclusion based on an Eighth Circuit decision that used six factors to determine likelihood of confusion, even though the Sixth Circuit applies eight factors, including two that are unique); *Blumcraft of Pittsburgh v. Kawneer Co., Inc.*, 482 F.2d 542, 548 (5th Cir. 1973) (discussing *Blonder-Tongue Labs. v. Univ. of Ill. Found.*, 402 U.S. 313 (1971)).

The majority also concludes that the Trademark Board weighed the factors bearing on likelihood of confusion differently than the majority thinks they should be weighed in an infringement action. *Ante*, at 8-9. This is tantamount to holding that a finding of the Trademark Board on likelihood of confusion will never be preclusive in an infringement action, because the majority believes that the balancing of factors that is appropriate in a registration or cancellation action is not appropriate in an infringement action. In reaching its decision on likelihood of confusion, the Trademark Board compared the marks in their entire marketplace context, discussing the companies' goods in relation to the fastener industry, the companies' channels of distribution, and the behavior of consumers in the market for the companies' products. Where, as here, "the Trademark Board has indeed compared conflicting marks in their entire marketplace context, the factual basis for the likelihood of confusion issue is the same, the issues are the same, and collateral estoppel is appropriate." *Levy v. Kosher Overseers Ass 'n of Am., Inc.*, 104 F.3d 38, 42 (2d Cir. 1997) (quoting 4 McCarthy, *supra*, § 32:31 (3d ed. 1996)); see also 6 McCarthy, *supra*, § 32:101 (4th ed. 2013); *Flavor Corp.*, 493 F.2d at 280 ("Since the fact of likelihood of confusion is singularly

determinative in a cancellation proceeding and that fact is likewise one of the essential elements in an infringement action, the identity of issue requirement is met."). That this court might disagree with the balance struck by the Trademark Board in a particular case is not reason to deny its decision preclusive effect. "The doctrines of claim and issue preclusion prevent relitigation of wrong decisions just as much as right ones. Otherwise, the doctrines would have no effect and be useless." *Clark v. Clark*, 984 F.2d 272, 273 (8th Cir. 1993).

The majority also mentions that Hargis bore the burden of persuasion in the registration action before the Trademark Board, but that B&B had the burden as a plaintiff in this infringement action. *Ante*, at 9. This court has recognized, however, that differences in the burden of persuasion counsel against application of collateral estoppel only when the difference in burden affects who should prevail. *Lane v. Sullivan*, 900 F.2d 1247, 1251 (8th Cir. 1990) (citing Restatement (Second) of Judgments § 28(4), cmt. f (1982)). The opinion of the Trademark Board in this case demonstrates that the burden of persuasion was not material to the decision. The burden is mentioned only once, in the last sentence of the opinion: "To the extent that any doubts might exist as to the correctness of our likelihood of confusion analysis, especially considering the prior determination that opposer's mark is merely descriptive and has not acquired secondary meaning, we resolve such doubts against applicant." Before this observation, the Trademark Board *already had completed its likelihood-of-confusion analysis* and found that "applicant's mark SEALTITE . . . so resembles opposer's mark SEALTIGHT . . . as to be

likely to cause confusion." The final sentence—beginning with *"[t]o the extent that any doubts might exist"*—is an alternative holding based on an uncertain contingency. It does not undermine the preclusive effect of the Trademark Board's determination that confusion is likely.

For these reasons, I would vacate the judgment of the district court and remand for further proceedings with instructions to give preclusive effect to the decision of the Trademark Board on likelihood of confusion.

APPENDIX B

IN THE UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF ARKANSAS
WESTERN DIVISION

B&B HARDWARE, INC.,	*	
	*	
Plaintiff	*	
	*	
vs.	*	4:06CV01654 SWW
	*	
HARGIS INDUSTRIES, INC., d/b/a SEALTITE BUILDING FASTENERS, ET AL.,	*	
	*	
Defendant.		

Memorandum Opinion and Order

Plaintiff B&B Hardware, Inc. ("B&B)" brought this action against defendant Hargis Industries, Inc. ("Hargis") for trademark infringement, unfair competition, and false designation of origin. Hargis counterclaimed, alleging B&B obtained its trademark registration fraudulently, and asserting claims of copyright infringement, false advertising, false designation of origin, and unfair competition. The matter was tried before a jury on June 22-25, 28-30, 2010. The Court denied B&B's motion for judgment as a matter of law, and submitted B&B's claims of trademark infringement, false designation of origin, and unfair competition under both federal and state law and defendant's claims for false advertising and false designation of origin to the jury. The jury returned verdicts against B&B on all

its claims and for Hargis on all its claims. The Court entered judgment on July 1, 2010.

Now before the Court is B&B's renewed motion for judgment as a matter of law or, in the alternative, for a new trial. For the reasons that follow, the Court denies the motion.

I.

The grant of judgment as a matter of law "is appropriate 'only if the evidence points all one way and is susceptible of no reasonable inferences sustaining the position of the non-moving party.'" *Hauser v. Kubalak*, 929 F2d 1305, 1307 (8th Cir. 1991)(quoting *Glass Design Imports, Inc. v. Import Specialties*, 867 F.2d 1139, 1142 (8th Cir. 1989)(citation omitted)). The standard that must be met is a rigorous one. The Court must

> (1) consider the evidence in the light most favorable to the prevailing party, (2) assume that all conflicts in the evidence were resolved in favor of the prevailing party, (3) assume as proved all facts that the prevailing party's evidence tended to prove, and (4) give the prevailing party the benefit of all favorable inferences that may reasonably be drawn from the facts proved.

Western American, Inc. v. Aetna Cas. & Sur. Co., 915 F.2d 1181, 1183 (8th Cir. 1990). The Court must then deny the motion "if reasonable persons could differ as to the conclusions to be drawn from the evidence." *Id.*

Hargis made a claim for false advertising under 15 U.S.C. § 1125(a) based on the allegation that B&B wrongfully published photographs of Hargis'

construction fasteners on B&B's construction fastener website for a period of approximately six weeks.[1] B&B argues that the Court should dismiss Hargis' claim as a matter of law because the construction fasteners at issue are visually identical. Citing McCarthy on Trademarks and Unfair Competition, B&B argues that if the parties' products are identical, then the use of a photograph of a plaintiffs product is not false or misleading.[2] B&B further cites *Merchant & Evans, Inc. v. Roosevelt Bldg. Products Co., Inc.*, 963 F.2d 628 (3rd Cir. 1992), for the proposition that when the parties' products are identical, defendant's use of a photo of plaintiffs product is not misleading. In response, Hargis argues that B&B presented no credible evidence to establish that B&B had ever sent any

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[1] To establish a false advertising claim under § 1125(a), a plaintiff must establish: (1) a false statement of fact by the defendant about its own product; (2) the statement actually deceived or has the tendency to deceive a substantial segment of its audience; (3) the deception is material; (4) the defendant caused its false statement to enter interstate commerce; and (5) the plaintiff has been or is likely to be injured as a result of the false statement. *Allsup, Inc. v. Advantage 2000 Consultants, Inc.*, 428 F.3d 1135, 1138 (8th Cir. 2005).

[2] 5 McCarthy on Trademarks and Unfair Compensation § 27.74 (4th ed. 2010) states:

> Thus, § 43(a) is violated if the plaintiff's product is used to sell the defendant's product, even if the configuration of plaintiff's product does not qualify for trademark protection. Such a cause of action is made by pleading and proof that (1) defendant falsely represented that the picture of his competitor's product was his own; and (2) the pictured product is not identical to the one that the defendant is prepared to deliver.
>
> However, if defendant legally sells a product *identical* to plaintiff's, then the use of a photo of plaintiff's product is not false or misleading.

fastener designs to any manufacturer for production of specimens. Thus, there is no evidence that any constructions fasteners made from B&B designs even exist. Further, *Hargis cites Truck Equipment Service Co. v. Fruehauf Corp.*, 536 F.2d 1210 (8th Cir. 1976), which held that the defendant's use of the plaintiff's photographs in defendant's sales literature is a false representation prohibited by the Lanham Act, even if the defendant's product was not inferior in quality to the plaintiffs. *See also Bangor Punta Operations, Inc. v. Universal Marine Co.*, 543 F.2d 1107 (5th Cir. 1976)(Lanham Act violated where the defendant represented a photograph of plaintiffs trawler to be the defendant's); *Woodke v. Dahm*, 873 F. Supp. 179 (N.D. Iowa 1995)(violation of 15 U.S.C.§ 1125(a) where defendants used a photograph of plaintiffs product in an advertisement in which they represented the product to be one of their own); *Potucek v. Taylor*, 738 F. Supp. 466 (M.D. Fla. 1990)(use of photograph of competitor's product to advertise and sell one's own product is false advertising).

The Court finds B&B is not entitled to judgment as a matter of law as to Hargis' counterclaim for false advertising as the verdict is supported by the evidence presented at trial.

Hargis' claim of false designation of origin also is based on B&B's publication of photographs of Hargis' construction fasteners on B&B's website that promoted B&B's new construction fastener line. B&B asserts that Hargis' claim is really a trade dress claim because the appearance of the product is at issue and Hargis did not meet its burden of showing evidence of non-functionality or secondary

meaning.[3] In response, Hargis states its claim is not that B&B wrongfully copied the trade dress of its fasteners by developing, manufacturing, and offering for sale fasteners with the same or similar appearance. Instead, the wrongful act underlying Hargis' claim is B&B's appropriation of photos of Hargis' fasteners and placing them on B&B's website as a line of construction fasteners offered by B&B.

The court in *Fruehauf* considered two alleged wrongful acts: the defendant's use of photographs of plaintiffs trailer in its sales literature and defendant's copying of the exterior design of the plaintiff s trailer in the manufacture of its own trailer. The court held, "[t]he use of another's product, misbranded to appear as that of a competitor, has been repeatedly found to be 'a false designation of origin' actionable under §43(a)." 536 F.2d at 1216. Because the Court finds Hargis' false designation of origin claim is not a trade dress claim and the jury's verdict is supported by the evidence, B&B's motion for judgment as a matter of law is denied.

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[3] To establish a claim for trade dress infringement, the plaintiff must demonstrate that its trade dress is: (1) inherently distinctive or acquired distinctiveness through secondary meaning; (2) nonfunctional; and (3) its imitation would result in a likelihood of confusion in consumers' minds as to the source of the product. *Gateway, Inc. v. Companion Products, Inc.*, 384 F.3d 503, 507 (8th Cir. 2004). "Trade dress is the total image of a product, the overall impression created, not the individual features." *Aromatique, Inc., v. Gold Seal, Inc.*, 28 F.3d 863, 868 (8th Cir.1994) (citing *Woodsmith Publ'g Co. v. Meredith Corp.*, 904 F.2d 1244, 1247 (8th Cir.1990)).

II.

"A motion for a new trial may be 'bottomed on the claim that the verdict is against the weight of the evidence, that the damages are excessive, or that, for other reasons, the trial was not fair to the party moving; and may raise questions of law arising out of alleged substantial errors in admission or rejection of evidence or instructions to the jury.'" *Children's Broad. Corp. v. Walt Disney Co.*, 245 F.3d 1008, 1017 (8th Cir. 2001) (quoting *Montgomery Ward & Co. v. Duncan*, 311 U.S. 243, 251 (1940). In deciding B&B's motion for a new trial, the Court must find "that prejudice or error has crept into the record, that the verdict is against the clear weight of the evidence, or that substantial justice has not been done." *Greenwood v. Dittmer*, 596 F. Supp. 235, 239 (W.D. Ark. 1984), *aff'd*, 776 F.2d 785 (8th Cir. 1985).

> The trial court is in the best position to determine whether the alleged error affected the substantial rights of any party sufficient to warrant a new trial. Therefore, the trial court's decision deserves considerable deference. A trial court must determine whether an evidentiary ruling was so prejudicial as to require a new trial which would be likely to produce a different result. We may only find a trial court's determination of the admissibility of evidence was prejudicial where there has been a clear abuse of discretion.

O'Dell v. Hercules, 904 F.2d 1194, 1200 (8th Cir.1990) (citations omitted). "When the basis of the motion for a new trial is that the jury's verdict is against the weight of the evidence, the district court's denial of the motion is virtually unassailable on appeal."

Children's Broad. Corp. v. Walt Disney Co., 357 F.3d 860, 867 (8th Cir. 2004) (internal citation/quotations omitted).

As grounds for a new trial, B&B argues: 1) the Court erred in refusing to defer to the TTAB opinions or, in the alternative, refusing to admit the TTAB opinions; 2) the Court committed substantial and prejudicial error in refusing to give appropriate jury instructions; and 3) the weight of the evidence does not support the jury verdict.

A. TTAB opinions

In its unsuccessful motion for summary judgment, B&B argued the Court should give preclusive effect to TTAB findings involving the same parties and same trademarks. In the motion now before the Court, B&B focuses on a TTAB opinion dated August 28, 2007, denying Hargis' registration on the basis of its finding of likelihood of confusion.[4] As in its earlier motion, B&B relies on *Flavor Corp. of America v. Kemin Indus., Inc.*, 493 F.2d 275 (8th Cir. 1974) in support of its argument. The principle issue on appeal in *Flavor* was "whether a finding of the Court of Customs and Patent Appeals in a trademark cancellation proceeding operates as collateral estoppel in a subsequent trademark infringement action." 493 F.2d at 277. That determination, in turn, hinged on whether the CCPA was a "court of competent jurisdiction to bind the parties in a subsequent action." *Id.* at 279. The *Flavor* court's affirmance of the district court's decision to apply collateral estoppel in the

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[4] B&B references other TTAB decisions as well. See Pl's. Br. in Supp., at 5, 10 n.10.

subsequent infringement action was dependent on the fact that the earlier finding of likelihood of confusion was actually made and affirmed by the CCPA, an Article III court. Here, the findings were made by the TTAB. The Court finds the *Flavor* case, as well as the other cases cited by B&B, distinguishable from the case at bar.

B&B further argues the Court erred in refusing to defer to the TTAB opinions or, in the alternative, to admit the TTAB opinions involving the same parties. B&B argues the Court should have followed the standard enunciated in *Noah's Inc. v. Nark, Inc.*, 560 F. Supp. 1253 (E.D. Mo. 1983), *aff'd by* 729 F.2d 410 (8th Cir. 1984), which states "that although the civil action before a district court is intended to be a trial *de novo*, the decision of the Board must be accepted as controlling on issues of fact unless the contrary is established by testimony which in character and amount carries through [sic] conviction." *Id.* at 1258. The Court found *Noah's Inc.* inapplicable as it involved a bench trial on an appeal of a TTAB decision, not a jury trial in a trademark infringement case. Further, even if the Court chose to follow the "thorough conviction" standard enunciated in *Noah*, the evidence introduced at trial, in character and amount, established the contrary of the TTAB's finding of likelihood of confusion with thorough conviction.

The Court further determined that it would be highly confusing and misleading to the jury, and prejudicial to both Hargis and B&B, to admit the TTAB opinions into evidence. The TTAB and the Eighth Circuit use a multi-factor test in the likelihood of confusion analysis, but not all of the

factors are the same, and in a registration proceeding, the TTAB applies its factors and analyzes the evidence in a manner significantly different than the jury is required to do in an infringement action. Further, the TTAB resolved all doubts in favor of B&B over Hargis.

B. Jury Instructions

B&B argues it is entitled to a new trial because the Court committed substantial and prejudicial error in refusing to give appropriate jury instructions. When a district court improperly instructs a jury, a new trial may be appropriate. *See McKay v. WilTel Communication Sys., Inc.*, 87 F.3d 970, 976 (8th Cir.1996); see Fed. R. Civ. P. 59. The court reviews jury instructions given by the district court for an abuse of discretion. *Sanders v. May Dep't Stores Co.*, 315 F.3d 940, 946 (8th Cir.2003), *cert. denied*, 539 U.S. 942 (2003). "The touchstone of our review is whether the instructions, 'taken as a whole, fairly and adequately represent the evidence and applicable law in light of the issues presented to the jury in a particular case.' Reversal for a new trial is appropriate only if there was an error that affected a substantial right of the moving party." *Swipies v. Kofka*, 419 F.3d 709, 716 (8th Cir. 2005)(citations omitted).

The resolution of the issue of likelihood of confusion requires consideration of a number of factors, and the Court listed in its instruction to the jury the six factors set forth in *SquirtCo. v. Seven-Up Co.*, 628 F.2d 1086, 1091 (8th Cir. 1980). One of the factors is the strength of B&B's mark. The Court refused to further instruct the jury on what they should consider when determining the strength of

mark. The Court found that the proffered instruction may have been based on an incorrect statement of the law, and would have emphasized that one factor, strength of mark, over the others. B&B is not entitled to a new trial based on the Court's refusal to give [a] strength of the marks instruction.

B&B asserts it was error for the Court not to include language in the instruction on reverse confusion that the junior user is not seeking to trade on the senior user's good will and that the strength of the junior user's mark should be evaluated.[5] B&B cites *Minnesota Pet Breeders, Inc. v. Schell & Kampeter, Inc.*, 41 F.3d 1242, 1246 (8th Cir. 1994), in support of its instruction. Hargis argues B&B failed to adequately preserve an objection on the basis it sets forth in the motion. The Court finds there is no indication in the *Minnesota Pet Breeders* case that the language B&B objects to being omitted has such importance that its omission from the Court's instruction could constitute error, much less harmful error. Moreover, there is nothing in the Court's instruction which could have led the jury to believe that it must find that Hargis sought to profit from any goodwill in B&B's mark in order to find reverse confusion. The Court finds its refusal to give B&B's proffered instruction does not constitute error.

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[5] B&B's proffered instruction contained the following language: "In such a case, the junior user does not seek to profit from the good will associated with the senior owner's mark. However, the senior owner is still injured. You should evaluate the strength of the junior user's mark so as to gauge its ability to overpower the senior user's mark. The junior user must show that the goods are competitive."

B&B proffered a jury instruction on incontestability of its mark. The Court refused to give it finding that the incontestable status of B&B's mark was not an issue to be decided by the jury and was not relevant to any issues to be decided by the jury. B&B argues the absence of the instruction was significant given that the jury heard evidence on the issue of descriptiveness although the issue later was not sent to the jury. Hargis argues evidence of descriptiveness of B&B's mark was admissible for purposes of proving that B&B's mark is weak, the first factor set forth in *SquirtCo's* likelihood of confusion test, and the Court's instructions do not in any way instruct the jury that the degree of descriptiveness of B&B's mark should be considered in determining any aspect of B&B's claims. The Court finds the refusal to instruct the jury on incontestability of B&B's mark was not error.

B&B argues the Court erred in refusing to instruct the jury that they should consider the TTAB findings in determining whether there was a likelihood of confusion between the marks at issue. For the same reasons the Court decided not to admit the TTAB opinions into evidence, the Court finds it was not error to refuse to instruct the jury on those findings.

B&B proffered an instruction setting forth the law regarding the difference between an agent and an independent contractor. Hargis responded that such an instruction was not necessary because it was not asserting B&B was responsible for the actions of Sanjiv Trivedi and/or VisionTek. B&B then proffered an instruction saying that if the jury found that Sanjiv or VisionTek took actions on his or its own with respect to the photos without instruction

from B&B, then the jury should find for B&B on Hargis' claims. Hargis argues the proffered instruction mentions only the copying of the photos, leaving out consideration of evidence that B&B copied size/weight charts from Hargis. In addition, Hargis asserts such an instruction was unnecessary, and giving it would have been arbitrary because there were no similar instructions regarding B&B's claims against Hargis. The Court finds B&B is not entitled to a new trial on the basis of failure to give this instruction.

B&B argues the Court erred when it failed to give an instruction related to its unfair competition claim under the Lanham Act. The Court instructed the jury on B&B's claim in Instruction No. 13 and presented the claim to the jury on the verdict form. See Interrogatory No. 5.

B&B argues that the instruction the Court gave as to B&B's claim under the California statute was defective because it contained a requirement that B&B be damaged or harmed as a result of the violation of unfair competition. Hargis responds that B&B failed to preserve its challenge to this instruction, and that the requirement of harm comes from *Express, LLC v. Fetish Group, Inc.*, 464 F. Supp.2d 965,979 (C.D. Cal. 2006) (damages or harm are an element of all three types of prohibited business practices: unlawful, unfair, or fraudulent). The Court finds the instruction given sets forth the correct statement of law.

C. Weight of the Evidence

B&B argues the Court should grant a new trial because the weight of the evidence supports a finding

of likelihood of confusion and does not support Hargis' counterclaims of false advertising and false designation of origin. As stated earlier, in order for a motion for new trial based on the sufficiency of the evidence to be granted, the jury's verdict must be against the great weight of the evidence so as to constitute a miscarriage of justice. *EFCO Corp. v. Symons Corp.*, 219 F.3d 734, 739 (8th Cir. 2000). The Eighth Circuit considers the evidence in a light most favorable to the non-moving party, giving the non-movant the benefit of all inferences. *EFCO*, 219 F.3d at 738. The Eighth Circuit "will not reverse a jury verdict for insufficient evidence unless no reasonable juror could have returned a verdict for the non-moving party." *Id.* The district court's judgment is given great deference because the judge has had the benefit of hearing testimony and observing the witnesses throughout the trial. *Jones v. TEK Indus., Inc.*, 319 F.3d 355, 358 (8th Cir. 2003).

To prevail on its claim of trademark infringement, B&B had the burden of proving that Hargis used the Sealtite mark in a manner that is likely to cause confusion. *See* Court's Instruction No. 9. B&B again asserts the Court should have deferred to the prior ruling on likelihood of confusion made by the TTAB. For the reasons stated earlier, the Court declined to do so. The Court instructed the jury as to the six *SquirtCo* factors to be considered in determining likelihood of confusion: strength of the marks; similarity of the marks; competitive proximity of the goods; intent to confuse; actual confusion; and degree of care.

In the previous trial on B&B's trademark infringement case against Hargis, the jury found B&B's mark to be merely descriptive and that it had not acquired secondary meaning. The evidence presented in the trial at issue here showed that B&B's mark had not gained strength in any appreciable manner since that time. In fact, the evidence showed that B&B's sales revenues had stayed flat or even decreased at times since 2000. Larry Bogatz testified that the company had fewer referrals from distributors, on whom B&B allegedly depends for business, since moving to California. Its advertising expenditures were shown to be *de minimus*, and the Bogatzes called no witnesses, other than themselves, to even suggest that the public in any manner associates the B&B mark with the company or its products, or that it has any kind of notoriety. The testimony was that the company employs three regular employees, in addition to the Bogatzes.

Even if the B&B mark had incontestable status, such status does not confer strength on the mark. "Incontestable status does not make a weak mark strong." 6 McCarthy on Trademarks and Unfair Competition § 32:155 (4th ed. 1996; updated 2010); *Oreck Corp. v. U.S. Floor Sys., Inc.*, 803 F.2d 166, 171 (5th Cir. 1986); *see also Petro Stopping Centers, L.P. v. James River Petroleum, Inc.*, 130 F.3d 88 (4th Cir. 1997); *Gruner + Jahr USA Pub. v. Meredith Corp.*, 991 F.2d 1072, 1077-78 (2nd Cir. 1993). All incontestable status does is deprive Hargis, as the defendant, from asserting mere descriptiveness as a defense. *See* 2 McCarthy on Trademarks and Unfair Competition §11:44 (4th ed. 1996; updated 2010). Even B&B seemed to concede that its mark is not so

strong by asserting a theory of reverse confusion. The weight of the evidence introduced at trial supports a finding that B&B's mark is weak.

Both parties agree that the marks are phonetically identical. However, the evidence revealed that Hargis always uses the term "Sealtite" in the context of "Sealtite Building Fasteners." There is evidence in the record that the marks have some dissimilarity. This is the only *SquirtCo* factor that supported likelihood of confusion.

B&B argues that the evidence presented at trial "showed that the fasteners offered by the parties were similar." The evidence, however, showed convincingly that other than the fact both products are fasteners, they are distinctly and vastly different in their features and characteristics, functions and applications, and pricing structure. B&B's product is a high-precision fastener designed for light tolerances and high pressure environments. Its fasteners require pre-drilled and pre-tapped holes with a precision fit. Hargis' construction fasteners are self-tapping, self-drilling screws designed to attach sheet metal to wood and steel frames. B&B markets to NASA, Boeing and the military and claims that its screws are designed for equipment ranging from the space shuttle to underwater cameras. B&B offered no credible evidence to rebut Hargis' witnesses' testimony that there is no possible cross-over between the two companies' products.

Moreover, similarity is not the test. Competitive proximity is the test, and there was extensive testimony that Hargis is not and has never been in competition directly or indirectly with B&B. The

Court finds the great weight of the evidence revealed that there is no competitive proximity.

The fourth factor in the determination of likelihood of confusion is intent to confuse the public. B&B presented no evidence of Hargis' intent to pass off its goods as those of B&B. B&B points to Joe Hargis' admission that he did not conduct any searches when he decided to adopt the name "Sealtite" as evidence of intent to confuse. Hargis asserts that any purported lack of investigation has no relevance to Hargis' intent to pass off its goods as those of B&B, and the evidence supports a finding that Joe Hargis had never heard of B&B or Sealtight when he decided on the Sealtite name.

The next factor in the *SquirtCo* analysis is incidents of actual confusion as to the source of the parties' fastener products. B&B argues the evidence shows without question that there was actual confusion. Hargis' employee Lynda Timmerman testified that she received approximately two calls per year from Fastenal[6] looking for a B&B part. She said she receives hundreds of telephone calls per week and that the inquiries from Fastenal were a rare occurrence. Furthermore, there was no evidence that Fastenal was confused as to the source of the parties' fasteners. Bruce Crouch, another Hargis employee, testified Hargis would occasionally receive customer calls asking for a B&B product, and Crouch also testified that in March 2010 he received both an e-mail and website inquiry from a company, Medco, which was attempting to order a B&B part from Hargis. At trial Hargis presented evidence raising

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[6] B&B had an exclusive written distributorship agreement with Fastenal.

suspicions about Medco's inquiry both as to the timing and the fact that Medco had submitted quotation requests to B&B dating back to 2003 but had never before made such a request to Hargis. Mr. Bogatz, his sister, and a couple of B&B employees testified about some misdirected telephone calls and faxes but not about any confusion about the source of the products. The Court admitted B&B's alleged evidence of actual confusion over Hargis' objection, but the jury apparently found such evidence unpersuasive.

The last element is the degree of care likely to be exercised by customers or potential customers. Citing Bruce Crouch's testimony regarding the pricing structure for Hargis' fasteners, B&B argues neither fastener is expensive and so it is reasonable to assume that an average customer would not be particularly discerning when buying fasteners. *See Board of Trustees of University of Arkansas v. Professional Therapy Sers., Inc.*, 873 F. Supp. 1280, 1291 (W.D. Ark. 1995) (when looking at degree of care expected of customers, focus is on the kind of product, the product's costs, and the conditions of purchase). Hargis, however, presented extensive evidence at trial regarding the high degree of care exercised by its customers or potential customers, including the types of applications in which its fasteners are used, the importance of price and quick turnaround, and the distinct differences between the markets to which Hargis and B&B sell. The Court finds B&B fails to demonstrate that the jury's finding on this element was against the weight of the evidence.

B&B argues the jury's verdict in favor of Hargis on its counterclaims is against the weight of the evidence. Specifically, B&B asserts Hargis presented no evidence showing that it had been or was likely to be harmed in the future by the posting of Hargis' photographs on B&B's website for six weeks or less. *In Porous Media Corp. v. Pall Corp.*, 110 F.3d 1329, 1335 (8th Cir. 1997), the Eighth Circuit held that "[a] plaintiff suing to enjoin conduct that violates the Lanham Act need not prove specific damage." Thus, a showing of a violation by B&B is alone sufficient to establish entitlement to injunctive relief under the Act.

III.

IT IS THEREFORE ORDERED that the motion for judgment as a matter of law or in the alternative for new trial [docket entry 213] is denied.

DATED this 31st day of August, 2010.

/s/Susan Webber Wright

UNITED STATES DISTRICT JUDGE

APPENDIX C

United States Court of Appeals
For the Eighth Circuit

No. 10-3137

B & B Hardware, Inc., a California Corporation

Appellant

v.

Hargis Industries, Inc., a Texas Corporation, doing business as Sealtite Building Fasteners, doing business as East Texas Fasteners; *et al.*

Appellees

No. 11-1247

B & B Hardware, Inc., a California Corporation

Appellant

v.

Hargis Industries, Inc., a Texas Corporation, doing business as Sealtite Building Fasteners, doing business as East Texas Fasteners; East Texas Fasteners, *et al.*

Appellees

Appeal from US District Court for the Eastern District of Arkansas - Little Rock
(4:06-cv-01654-SWW)
(4:06-cv-01654-SWW)

ORDER

The petition for rehearing en banc is denied. The petition for rehearing by the panel is also denied.

June 20, 2013

Order Entered at the Direction of the Court:
Clerk, U.S. Court of Appeals, Eighth Circuit.

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/s/ Michael E. Gans

APPENDIX D

THIS OPINION IS NOT A PRECEDENT OF THE T.T.A.B.

Mailed:
August 28, 2007

UNITED STATES PATENT AND TRADEMARK OFFICE

Trademark Trial and Appeal Board

B&B Hardware, Inc.

v.

Sealtite Building Fasteners

Opposition No. 91155687
to application Serial No. 75129229
filed on July 12, 1996

Roger N. Behle of Foley Bezek Behle & Curtis, LLP for B&B Hardware, Inc.

Walter D. Ames and Trey Yarbrough on behalf of Sealtite Building Fasteners.

Before Quinn, Mermelstein, and Bergsman, Administrative Trademark Judges.

Opinion by Bergsman, Administrative Trademark Judge:

On July 12, 1996, Sealtite Building Fasteners filed a use-based trademark application for the mark SEALTITE, in standard character format (formerly known as a typed drawing) (Serial No. 75129229), for "self-piercing and self-drilling metal screws for use in the manufacture of metal and post-frame buildings." Applicant claimed February 1992 as its date of first use anywhere and its date of first use in commerce. Applicant amended the application to seek registration under the provisions of Section 2(f) of the Trademark Act of 1946, 15 U.S.C. § 1052(f), based on applicant's substantially exclusive and continuous use of its mark in commerce since 1992.

B&B Hardware, Inc. opposed registration under Section 2(d) of the Trademark Act of 1946. Opposer asserted ownership of Registration No. 1797509 for the mark SEALTIGHT for "threaded or unthreaded metal fasteners and other related hardware; namely, self-sealing nuts, bolts, screws, rivets and washers, all having a captive o-ring for use in the aerospace industry."[1] Opposer alleged that applicant's mark SEALTITE, used in connection with "self-piercing and self-drilling metal screws for use in the manufacture of metal and post-frame buildings" so resembles opposer's mark SEALTIGHT as to be likely to cause confusion.

In its answer, applicant admitted that opposer made prior use of its mark SEALTIGHT, and that the marks at issue are phonetically identical.

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[1] Registration No, 1797509, issued October 12, 1993; Section 8 affidavit accepted; first renewal.

Applicant denied the remaining salient allegations in the notice of opposition.

The Record

By operation of the rules, the record includes the pleadings and the application file for applicant's mark. The record also includes the following evidence:

A. Opposer's evidence.

1. Notice of reliance on a certified copy of Registration No. 1797509 showing the status and title of the registration;

2. Notice of reliance on the Board's June 13, 2003 Order in Cancellation No. 92026016 pursuant to Trademark Rule 2.122 (e);

3. Testimony deposition of Larry Joseph Bogatz, opposer's President, with attached exhibits;[2]

4. Testimony deposition of Bruce Crouch, Vice President of Hargis Industries, Inc., the parent corporation of applicant, with attached exhibits ("Crouch Testimony Dep. II");

5. The rebuttal testimony deposition of Larry Joseph Bogatz with attached exhibits; and,

6. The rebuttal testimony deposition of Bruce Buskirk, a professor of marketing at Pepperdine University.[3]

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[2] Opposer filed the Bogatz deposition under seal. In a telephone conference with the Board on August 7, 2007, opposer agreed to remove the "confidential" designation.

B. Applicant's evidence.

1. Testimony deposition of Bruce Crouch with attached exhibits ("Crouch Testimony Dep. I"); and,

2. Testimony deposition of Tom Hulsey, applicant's Director of Technical Services and Applications Engineering, with attached exhibits.

History of the conflict between the parties

This opposition is the third battle between the parties. The first was a civil action: B&B Hardware, Inc. v. Hargis Industries, Inc., dba Sealtite Building Fasteners (Civil Action No. L-R-C-98-372, E.D. Ark.).[4] The second was a cancellation proceeding: Sealtite Building Fasteners v. Larry Joseph Bogatz, dba B&B Hardware and B&B Hardware, Inc. (Cancellation No. 92026016).

A. The civil action.

On June 2, 1998, opposer filed a trademark infringement action against applicant based on opposer's pleaded registration (Registration No. 1797509). Applicant pleaded several defenses, including that opposer's mark SEALTIGHT was merely descriptive and had not acquired secondary meaning, but applicant did not file a counterclaim to

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[3] Opposer filed the Buskirk deposition under seal. In a telephone conference with the Board on August 7, 2007, opposer agreed to remove the "confidential" designation.

[4] The precise nature of the legal relationship between Hargis Industries, Inc. and Sealtite Building Fasteners is not clear. However, there is agreement that Hargis Industries and Sealtite Building Fasteners are in privity.

cancel opposer's registration. On May 18, 2000, following a jury trial, the district court held that the SEALTIGHT trademark owned by opposer was merely descriptive and had not acquired secondary meaning, and dismissed the civil action with prejudice.[5] The jury did not make any findings of fact on the trademark infringement issue. On June 11, 2001, the Court of Appeals for the Eighth Circuit affirmed the judgment of the trial court. Neither the district court, nor the appellate court, ordered the Commissioner to cancel opposer's registration for the mark SEALTIGHT.

B. The cancellation.

On March 5, 1997, applicant filed a petition to cancel (Cancellation No. 92026016) opposer's pleaded registration on the ground of abandonment. A claim of priority of use and likelihood of confusion was subsequently added. The cancellation proceeding was suspended pending the disposition of the civil action between the parties. After the entry of judgment in the civil action, applicant sought to amend its petition to cancel to include the ground that opposer's mark is merely descriptive and that it has not acquired distinctiveness. In its June 12, 2003 Order, the Board denied applicant's motion to amend the petition for cancellation because opposer's registration was more than five years old, and dismissed the petition for cancellation. The Board noted that applicant, in the civil action, did not pursue a counterclaim to cancel opposer's registration and that the district court did not order the registration cancelled.

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[5] Bogatz Rebuttal Testimony Dep. II, Exhibit R.

C. This opposition.

1. The pleadings and the evidence regarding Opposer's mark.

This opposition was filed on February 28, 2003. In its Amended Notice of Opposition, opposer alleged that its products "provide leakproof protection from liquids and gases,"[6] and that all have "a captive o-ring,"[7] and pleaded its registered mark for "threaded or unthreaded metal fasteners and other related hardware; namely, self-sealing nuts, bolts, screws, rivets and washers, all having a captive o-ring, for use in the aerospace industry."[8] At trial and in its brief,[9] opposer asserted that it sells a "full range of fasteners," without the limitations identified in the Amended Notice of Opposition (*i.e.*, leakproof protection, captive o-ring, and use in the aerospace industry). At trial, applicant cross-examined opposer's witness regarding the nature of opposer's products, deposed its own witnesses to introduce testimony regarding the differences between the products of the parties, and, in its brief, addressed the issue of the similarity or dissimilarity of the goods. Because applicant did not object and, in fact, participated in presenting testimony on this issue, we deem it to have been tried by consent. In view of thereof, we construe the Amended Notice of

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[6] Paragraph No. 1 of the Amended Notice of Opposition.

[7] Paragraph No. 3 of the Amended Notice of Opposition.

[8] Paragraph No. 5 of the Amended Notice of Opposition.

[9] Opposer's Brief, pp. 2 and 10 ("Opposer has broadened its market so that it sells a full range of fasteners. There is no limit to the application of Opposer's fasteners").

Opposition to be amended to conform to the evidence. Fed. R. Civ. P. 15(b).

2. Pretrial Issues.

In an order dated August 23, 2004, the Board denied applicant's motion for summary judgment based on the dismissal of opposer's civil action. The Board held that applicant was barred from bringing a counterclaim to cancel opposer's pleaded registration on the ground that the mark is merely descriptive because opposer's pleaded registration remains in effect despite the previous civil action and cancellation proceeding, and because the registration is more than five years old.[10] The Board held that the civil action did not have preclusive effect. Claim preclusion does not apply because the transactional facts of a civil action for trademark infringement are not the same as those in an opposition that determine the right to register. *Treadwell's Drifters, Inv. v. Marshak*, 18 USPQ2d 1318, 1321 (TTAB 1990); *American Hygienic*

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[10] Under Section 14 of the Trademark Act of 1946, a registration that is more than five years old may not be canceled on the ground that it is merely descriptive. Where, as here, opposer's mark has been registered for five years, it is protected from cancellation except on the grounds stated in Sections 14(3) of the Trademark Act of 1946, 15 U.S.C. §§ 1064(3), such as, "if the registered mark becomes the generic name for the goods or services,...has been abandoned, ...or its registration was obtained fraudulently." Otherwise, a mark that has been registered for more than five years cannot be challenged, for example, for mere descriptiveness, or on the basis that the mark lacks secondary meaning. *See Park 'N Fly v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 224 USPQ 327, 331-332 (1985); *Sunrise Jewelry Manufacturing Corp. v. Fred S.A.*, 175 F.3d 1322, 50 USPQ2d 1532 (Fed. Cir. 1999).

Laboratories, Inc. v. Tiffany & Co., 228 USPQ 855, 857 (TTAB 1986). Issue preclusion does not apply because the district court made no findings of fact on the issue of likelihood of confusion (the cause of action at issue in this opposition). The only determination essential to the district court's judgment was the determination that opposer's mark was merely descriptive and that it had not acquired secondary meaning."[11]

Despite the fact that opposer's mark has been found to be merely descriptive, opposer, as the owner of a registered trademark, is entitled to challenge the registration of applicant's mark on the ground of priority of use and likelihood of confusion. Section 2(d) of the Trademark Act of 1946, 15 U.S.C. § 1052(d) (applicant's mark "so closely resembles a mark registered in the Patent and Trademark Office, ...as to be likely to cause confusion, or to cause mistake, or to deceive"). Thus, we find ourselves in the unusual situation whereby opposer is precluded from enjoining applicant from using its mark, but opposer may nevertheless prevent applicant from registering its mark.

In this regard, even if opposer's mark is a weak mark because it is merely descriptive, it is still entitled to protection against the registration of the same or similar mark for closely related goods or services. *See Matsushita Electric Co. v. National Steel Co.*, 442 F.2d 1383, 170 USPQ 98, 99 (CCPA 1971) ("Even though a mark may be 'weak' in the sense of being a common word in common use as a trademark, it is entitled to be protected sufficiently

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[11] See the discussion *infra* at pp. 14-16.

to prevent confusion as to source from arising"); *King-Kup Candies, Inc. v. King Candy Co.*, 288 F.2d 944, 129 USPQ 272, 273 (CCPA 1961) (although opposer's mark is as weak a mark as can be found, it is still entitled to protection).

Evidentiary and Procedural Issues

A. Opposer's motion to strike applicant's notice of reliance on third-party trademark registrations.

On July 17, 2006, opposer filed a motion to strike applicant's notice of reliance on third-party trademark registrations pursuant to Trademark Rule 2.122(e), 37 CFR § 2.122(e). Opposer contends that the notice of reliance was not timely filed because, pursuant to the Board's January 12, 2006 Order, applicant's testimony period was scheduled to close May 7, 2006, and the notice of reliance was filed on June 27, 2006.[12]

Trademark Rule 2.122(e) reads as follows, so far as pertinent: "[O]fficial records...may be introduced in evidence by filing a notice of reliance on the material being offered...The notice of reliance shall be filed during the testimony period of the party that files the notice." If a notice of reliance is filed after the close of a party's testimony period, the adverse party may file a motion to strike the notice of reliance (and, thus, the evidence submitted thereunder) in its entirety, as untimely. TBMP §§ 532 and 707.02(b)(1) (2d ed. rev. 2004). *See also Jean Patou Inc. v. Theon Inc.*, 18 USPQ2d 1072,

[12] Applicant did not file a brief in opposition to opposer's motion to strike applicant's notice of reliance.

1075 (notice of reliance that was not timely filed will be given no consideration); *May Department Stores Co. v. Prince*, 200 USPQ 803, 805 n.1 (TTAB 1978) (a notice of reliance must be filed during a party's testimony period). Because the notice of reliance was filed after the close of applicant's testimony period, opposer's motion to strike is granted and applicant's notice of reliance will be given no consideration.

B. The Bruce Buskirk deposition.

Opposer engaged Bruce Buskirk, a professor of marketing at Pepperdine University, to review and opine on the testimony by Bruce Crouch and Tom Hulsey.[13] In an extended discussion between counsels during Dr. Buskirk's deposition, opposer refused to proffer Dr. Buskirk as an expert witness. Opposer explained that "I'm offering Dr. Buskirk in rebuttal to the marketing testimony given by both Mr. Crouch and Mr. Hulsey, and I will allow Dr. Buskirk's credentials and other experience to speak for itself."[14] Because opposer did not proffer Dr. Buskirk as an expert witness, and opposer refused to do so when applicant explicitly inquired whether Dr. Buskirk was being proffered as a witness, we are not going to guess whether Dr. Buskirk is intended to be an expert witness or a fact witness. Because opposer did not proffer Dr. Buskirk as an expert witness in marketing, advertising, and trade channels, we will not consider his testimony to be expert testimony.

Even if we were to consider Dr. Buskirk an expert witness, his testimony did not include scientific,

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[13] Buskirk Dep., p. 11.

[14] Buskirk Dep., p. 12.

technical, or other specialized knowledge that we found helpful in understanding the evidence. Fed. R. Evid. 702.

C. Objections in the testimony depositions.

Both parties lodged numerous objections during the testimony depositions, but they did not reassert the objections in their briefs. Because the parties did not maintain the objections in their briefs, we consider them waived. *See Hard Rock Cafe International (USA) Inc. v. Elsea*, 56 USPQ2d 1504, 1507 n.5 (TTAB 2000) (objection to exhibit raised during deposition but not maintained in brief deemed waived); *Reflange Inc. v. R-Con International*, 17 USPQ2d 1125, 1126 n.4 (TTAB 1990) (objections to testimony and exhibits made during depositions deemed waived where neither party raised any objection to specific evidence in its brief).

The Parties

A. Opposer.

Opposer has continuously sold SEALTIGHT self-sealing fasteners since February 1990.[15] "A fastener is essentially a screw or a bolt or nut, primarily it holds something together. In the case of our [opposer's] products they can also be used to seal a hole, whether it's threaded or not."[16] Opposer's fasteners are primarily used in sealing applications,

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[15] Bogatz Testimony Dep., pp. 8, 9, and 29.

[16] Bogatz Testimony Dep., p. 8.

however, opposer asserts that its fasteners can be used for any application.[17]

B. Applicant.

Applicant has continuously sold SEALTITE fasteners since January 1992.[18] It specializes in fasteners used in the field of pre-engineered steel buildings and wood-frame buildings: that is, the metal building construction industry.[19]

> A pre-engineered steel building is a building that a manufacturer actually designs and prefabricates on site. Generally, a pre-engineered steel building company has an engineering department that takes specifications from a customer. They design the structural members and then external members that would be required to fill that customer's needs.
>
> Then, in their marketing facility, they build the primary, secondary structural members, and whatever the exterior is—usually it's a metal panel—cut those to size, ship those to the job site so it can be assembled on the job site.
>
> A post-frame building is very similar, except it has—its primary and secondary structural members are wood posts, and what you might

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[17] Bogatz Testimony Dep., pp. 8, 13, 53. 54, 80; Bogatz Rebuttal Testimony Dep. I, pp. 6, 55? Exhibit P. "They're used everywhere. There is no limit to the applications that our fasteners can be used." (Bogatz Testimony Dep., p. 52).

[18] Crouch Testimony Dep. II, p. 13; Crouch Testimony Dep. I, p. 16.

[19] Hulsey Testimony Dep., pp. 11-12; Crouch Testimony Dep. II, p. 13.

know as two-by-fours, two-by-sixes, and so forth.

Its internal structure—the reason it's called post-frame is the internal primary structural members are posts, wooden posts.[20]

Standing

Opposer has established its standing to bring this opposition by properly having made its pleaded registration of record, and having shown that it is not a mere intermeddler. *Cunningham v. Laser Golf Corp.*, 222 F.3d 943, 55 USPQ2d 1842, 1844 (Fed. Cir. 2000); *Lipton Industries, Inc. v. Ralston Purina Co.*, 670 F.2d 1024, 213 USPQ 185, 189 (CCPA 1982).

Priority

Because opposer's pleaded registration has been made of record, Section 2(d) priority is not an issue in this case vis-a-vis opposer's registered mark and the products listed in the description of goods (*i.e.*, the mark SEALTIGHT for "threaded or unthreaded metal fasteners and other related hardware; namely, self-sealing nuts, bolts, screws, rivets and washers, all having a captive o-ring for use in the aerospace industry"). *King Candy Co. v. Eunice King's Kitchen, Inc.*, 496 F.2d 1400, 182 USPQ 108 (CCPA 1974); *Ultratan Suntanning Centers Inc. v. Ultra Tan International AB*, 49 USPQ 1313, 1315 (TTAB 1998) ("[P]rior use need not be shown by an opposer relying on a registration of its pleaded mark for its pleaded goods or services unless the applicant counterclaims for cancellation").

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[20] Crouch Testimony Dep. II, p. 14.

However, because the Arkansas district court previously held that opposer's mark is merely descriptive and had not acquired distinctiveness before applicant began using its mark, opposer may not rely on its common law rights to use SEALTIGHT in connection with a "full range of fasteners."[21] As indicated previously, claim preclusion is not applicable because an infringement claim is not the same claim presented in this opposition. Issue preclusion, on the other hand, is applicable vis-a-vis the issue of whether opposer's mark SEALTIGHT is merely descriptive and, if so, whether it had acquired secondary meaning. Issue preclusion serves to preclude the relitigation, by the same parties or their privies, of issues actually litigated, and necessarily determined in a prior proceeding, whether or not the prior proceeding involved the same claim as this opposition. *Mother's Restaurant Inc. v. Mama's Pizza, Inc.*, 723 F.2d 1566, 221 USPQ 394, 397 (Fed. Cir. 1983); *Domino's Pizza Inc. v. Little Caesar Enterprises Inc.*, 7 USPQ2d 1359, 1364 (TTAB 1988). The issue of descriptiveness and acquired distinctiveness of opposer's SEALTIGHT mark was actually litigated and necessarily determined by the Arkansas district court in the prior proceeding with the determination being adverse to opposer. Under the doctrine of

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[21] "[W]here the mark relied upon by a plaintiff in support of its Section 2(d) claim of priority of use and likelihood of confusion has been found to be merely descriptive within the meaning of Section 2(e)(1), the plaintiff must establish priority of acquired distinctiveness (secondary meaning) in order to prevail on the Section 2(d) claim." *Perma Ceram Enterprises Inc. v. Preco Industries Ltd.*, 23 USPQ2d 1134, 1137 (TTAB 1992). See also, *Towers v. Advent Software Inc.*, 913 F.2d 942, 16 UPSQ2d 1039, 1041 (Fed. Cir. 1990).

issue preclusion, opposer is barred by the decision in the civil action from asserting that SEALIGHT is inherently distinctive as applied to its goods or that the designation has acquired secondary meaning. Accordingly, our likelihood of confusion determination will be based on an analysis of opposer's registered trademark, and not on its common law rights.

Likelihood of Confusion

Our determination under Section 2(d) is based on an analysis of all of the facts in evidence that are relevant to the factors bearing on the likelihood of confusion issue. *In re E. I. du Pont de Nemours & Co.*, 476 F.2d 1357, 177 USPQ 563, 567 (CCPA 1973). The relevant *du Pont* factors are discussed below.

A. The fame of opposer's mark.

We turn first to the factor of fame, because this factor plays a dominant role in cases featuring a famous mark. *Kenner Parker Toys Inc. v. Rose Arts Industries, Inc.*, 963 F.2d 350, 22 USPQ2d 1453, 1456 (Fed. Cir. 1992).

Opposer contends that its mark is famous, due to the longevity of its use.[22]

Fame arises when a significant portion of the relevant consuming public (*i.e.*, purchasers of metal fasteners) recognizes the mark as a source indicator. *Palm Bay Imports Inc. v. Veuve Clicquot Ponsardin Maison Fondee En 1772*, 396 F.3d 1369, 73 USPQ2d 1689, 1694 (Fed. Cir. 2005). In determining whether

[22] Opposer's Brief, p. 12.

a mark is famous, we may consider sales, advertising expenditures, and the length of time the mark has been used. *Bose Corp. v. QSC Audio Products Inc.*, 293 F.3d 1367, 63 USPQ2d 1303, 1309 (Fed. Cir. 2002). This information, however, must be placed in context (*e.g.*, a comparison of advertising figures with competitive products, market share, reputation of the product, etc.). *Id.* In view of the extreme deference that a famous mark is accorded, and the dominant role fame plays in the likelihood of confusion analysis, a plaintiff asserting that its mark is famous has a duty to clearly prove fame. *Blue Man Productions Inc. v. Tarmann*, 75 USPQ2d 1811, 1819 (TTAB 2005). In the case *sub judice*, opposer failed to introduce any evidence regarding the extent of consumer recognition for opposer's mark, and therefore we find that opposer's mark is not a famous mark.

B. The similarity or dissimilarity of the marks.

We now turn to the *du Pont* factor focusing on the similarity or dissimilarity of the marks in their entireties as to appearance, sound, connotation, and commercial impression. *In re E. I. du Pont De Nemours & Co.*, *supra*. Opposer's mark is SEALTIGHT, and applicant's mark is SEALTITE. Applicant has admitted that the marks are phonetically equivalent.[23]

While not visually identical, the marks are substantially similar because they are both comprised of a compound word beginning with "seal" and followed by the letters "ti," as the first two

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[23] Answer ¶8.

letters of the phonetically equivalent "tight" and "tite."

The meaning and commercial impression of the marks SEALTIGHT and SEALTITE when used in connection with metal fasteners are the same: to fasten securely.[24]

In view of the foregoing the similarity of the marks is a factor that favors finding that there is a likelihood of confusion.

C. Similarity or dissimilarity and nature of the goods.

Both parties use their marks to identify fasteners.[25] Opposer's fasteners are primarily used in sealing applications.[26] They are sophisticated fasteners with tight tolerances and high-quality materials for use in connection with sealing internal and external pressure. Applicant's products, on the other hand, are "the next step up from a nail." They are not made for sealing or pressure applications.[27] Applicant's fasteners are used to hold metal panels

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[24] "Seal" means "to fasten or close tightly by or as if by a seal," and "tight" means "firmly or closely fixed in place; not easily moved; secure." *Dictionary*.com *Unabridged* (v 1.1) based on the *Random House Unabridged Dictionary* (2006). The Board may take judicial notice of dictionary definitions. *B.V.D. Licensing Corp. v. Body Action Design, Inc.*, 846 F.2d 727, 6 USPQ2d 1719, 1721 (Fed. Cir. 1988).

[25] Crouch Testimony Dep. I, p. 55.

[26] Bogatz Testimony Dep., pp. 8, 13, 53, 54, 80; Bogatz Rebuttal Testimony Dep. I, pp. 6, 55; Exhibit P; Bogatz Rebuttal Testimony Dep. II, Exhibit T; Husley Testimony Dep., Exhibits D and O.

[27] Crouch Testimony Dep. II, pp. 25-26.

onto steel or wood framing. They are used in the metal building industry.[28]

Both opposer's and applicant's companies are listed on the Yahoo! Small Business Directory under the heading "Industrial Supplies > Fasteners."[29] The listings are displayed as follows:

> Sealtight Fastener
> Offers fasteners including self-sealing, seal screws, sealing washers, and threaded fasteners.
> www.sealtightfastner.com
>
> Sealtite Building Fasteners
> Manufacturers and distributors of residential and metal building fasteners.
> www.sealtite.com

Opposer contends that the products of the parties compete because "our products can be used in a flight hanger or they can be used in a wind tunnel or whatever. Hargus' (sic) products can be used in the same applications so it puts us in a competitive situation with Hargus (sic) Industries."[30] Opposer will sell nonsealing fasteners to customers who request such fasteners,[31] but it does not advertise or

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[28] Hulsey Testimony Dep., pp. 19, 35; Crouch Testimony Dep. I., pp 50-52. Mr. Crouch was unaware of any application outside of the metal building industry for which applicant's products would be used. (Crouch Testimony Dep. I, pp. 52-53).

[29] Bogatz Rebuttal Testimony Dep. I, Exhibit 20. A similar display appears in the Kelleysearch online directory under the heading "Rivet Products." (Bogatz Testimony Deposition, Exhibit 11). Finally, both parties are listed (not consecutively) in the Fasteners Web website, a listing of fastener companies. (Bogatz Rebuttal Testimony Dep. I, Exhibit 21).

[30] Bogatz Testimony Dep., pp. 49, 50.

[31] Bogatz Rebuttal Testimony Dep. II, p. 21. Mr. Bogatz testified that opposer has some customers who purchase

promote nonsealing fasteners because its specialty is sealing fasteners.[32] While opposer testified that its fasteners have been used in sheet metal applications and to construct buildings, its witness did not know the specific application,[33] and he could not identify any customers that used its fasteners for metal building construction.[34]

Applicant does not manufacture or sell sealing fasteners.[35] "[N]ot all fasteners will seal. There has to be some means of making it seal."[36] Applicant's products are self-drilling fasteners. Self-drilling fasteners drill their own pilot holes in the material into which they are being installed and then the

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fasteners without o-rings. 0-rings are used for the sealing application. (Bogatz Testimony Dep., pp. 8, 54).

[32] Bogatz Rebuttal Testimony Dep., II, p. 22. Opposer's advertising and promotional materials display the legend "...the perfect sealing solution!" (Bogatz Testimony Dep., Exhibits 3-8 and B; Bogatz Rebuttal Testimony Dep. II, Exhibit T). Also, Opposer's printed catalog and website clearly indicate that opposer specializes in providing fasteners used in sealing applications. (Bogatz Rebuttal Testimony Dep. II, Exhibit T; Hulsey Testimony Dep., Exhibits D and O). Opposer admitted that, unlike applicant's products, none of the fasteners listed in its print catalog are self-drilling or self-tapping fasteners. (Bogatz Rebuttal Testimony Dep. II, pp. 52-56). However, applicant claimed that all of its fasteners could be made with self-tapping threads. (Bogatz Rebuttal Testimony Dep. II, pp. 54, 87-88. See also Bogatz Rebuttal Testimony Dep. II, Exhibit T, p. 27).

[33] Bogatz Testimony Dep., pp. 15-16, 53. On cross-examination, Mr. Bogatz testified that an unidentified person working for Fastenal reported that perhaps General Dynamics wanted to use opposer's fasteners "for an airplane hangar" at an unidentified location. (Bogatz Testimony Dep., pp. 57-61).

[34] Bogatz Rebuttal Testimony Dep. II, pp. 47-48.

[35] Hulsey Testimony Dep., pp. 16-17.

[36] Bogatz Testimony Dep., p. 80.

threads on the fastener cut into the material to form mating threads to secure the fastener.[37]

According to applicant's witness, the differences in the products are reflected in their price: the average price for opposer's fasteners is at least ten times the average price of applicant's products.[38] Applicant contends that its fasteners may cost 2 cents apiece while opposer's fasteners may cost 20 - 25 cents apiece.[39]

Applicant further argues that sales of fasteners in the metal building construction industry are price sensitive, and that a half-cent price differential can be the difference between making and losing a sale.[40] Accordingly, a customer for a fastener for use in the metal building construction industry would never consider purchasing a fastener at 20 - 25 cents apiece.[41]

With respect to the similarity or dissimilarity or nature of the goods, it is not necessary that applicant's products and opposer products be similar or competitive, or even that they move in the same channels of trade, to support a holding of likelihood of confusion. It is sufficient that respective goods of the parties would or could be encountered by the

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[37] Hulsey Testimony Dep. p. 18; Crouch Testimony Dep. II, pp. 58¬59; Crouch Testimony Dep. I, pp. 49-50.

[38] Crouch Testimony Dep. II, pp. 26, 29; Exhibit E. Mr. Bogatz's testimony regarding opposer's pricing policy was very guarded. Mr. Bogatz explained that opposer does not have a set price list. It prices its fasteners per order based on the product and quantity. (Bogatz Rebuttal Testimony Dep. II, pp. 61-72).

[39] Crouch Testimony Dep. II, pp. 30.

[40] Crouch Testimony Dep. II, pp. 30.

[41] Crouch Testimony Dep. II, pp. 30.

same persons under circumstances that could, because of the similarity of the marks, give rise to the mistaken belief that they originate from the same producer. *See In re International Telephone & Telegraph Corp.*, 197 USPQ 910, 911 (TTAB 1978). The issue is not whether purchasers would confuse the goods but rather whether there is a likelihood of confusion as to the source of the goods. *In re Rexel Inc.*, 223 USPQ 830, 831 (TTAB 1984).

In analyzing the similarity or dissimilarity and nature of the goods, it is important to note that the greater degree of similarity in the marks, the lesser degree of similarity is required of the products on which they are being used in order to support a holding of likelihood of confusion. "If the marks are the same or almost so, it is only necessary that there be a viable relationship between the goods and services in order to support a holding of likelihood of confusion." *In re Concordia International Forwarding Corp.*, 222 USPQ 355, 356 (TTAB 1983). *See also, In re Engine Supply, Inc.*, 225 UPSQ 216, 217 (TTAB 1985) ("where the goods or services are sold under identical marks, the degree of similarity in the goods or services of the parties need not be as great as would be required in situations where there are ***arguable differences*** between the marks") (Emphasis added).

The fastener industry is not monolithic. There are separate and distinct market segments. However, the fact that the products at issue are fasteners is sufficient to establish that the products are intrinsically related, albeit for different purposes. Consumers encountering different fasteners under the substantially similar marks in the case

sub judice may believe that the products are related. This *du Pont* factor, therefore, favors finding that there is a likelihood of confusion.

D. Similarity or dissimilarity of likely-to-continue channels of trade.

Opposer explained that it does not know where most of its fasteners go (or how they are used) because ninety percent (90%) of its fasteners are sold through distributors.[42] The distributors that sell opposer's fasteners sell a full range of fasteners.[43] In fact, both parties sell to Fastenal, a distributor of fasteners.[44]

Opposer also sells to OEMs, especially when the sale involves higher volumes.[45] Both distributors and direct customers will contact opposer with a specific sealing requirement and request engineering information for meeting that application.[46]

Applicant sells its products to the following customers;

1. Manufacturers of pre-engineered steel buildings;

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[42] Bogatz Testimony Dep., pp. 9, 13-14, 16, 29, 57. In his rebuttal testimony deposition, Mr. Bogatz testified that 80% of opposer's sales were to distributors. (Bogatz Rebuttal Testimony Dep. I., p. 86; Bogatz Rebuttal Testimony Dep., II, p. 36). Applicant was also unable to determine the ultimate use to which its products are put once they are sold. However, applicant emphasized that it designs and markets its products for their best possible use (*i.e.*, in the metal building construction industry). (Crouch Testimony Dep. I, pp. 60-61).

[43] Bogatz Rebuttal Testimony Dep. I, p. 54.

[44] Bogatz Testimony Dep., pp. 16-17, 51.

[45] Bogatz Testimony Dep., pp. 14, 31.

[46] Bogatz Testimony Dep., p. 31.

2. Component manufacturers of pre-engineered steel buildings;

3. Fastener distributors; and,

4. End-users.[47]

Most of opposer's advertising is done through the Internet (*e.g.*, in opposer's website and online advertisements in fastener magazines and engineering magazines).[48] In addition, opposer advertises in print magazines such as *Link Magazine*, Department of Defense magazines, and *G.S.A. Magazine*.[49] Applicant advertises in trade publications in the metal building industry (*e.g.*, *Metal Construction News, Metal Architecture*, and *Rural Builders*).[50]

Opposer also attends trade shows, such as the National Design and Engineering Show.[51] On the other hand, applicant participates in metal building trade shows, including metal roofing shows and mini-warehouse shows (*e.g.*, National Frame Builders Association, Metalcon).[52]

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[47] Hulsey Testimony Dep., p. 29; Crouch Testimony Dep. II, p. 15. With respect to sales to end users, Mr. Crouch explained that applicant sells to retailers who sell to do-it-yourself persons. (Crouch Testimony Dep. I, p. 20).

[48] Bogatz Testimony Dep., p. 31.

[49] Bogatz Testimony Dep., p. 32.

[50] Crouch Testimony Dep. I, p. 32.

[51] Bogatz Testimony Dep., p. 32.

[52] Crouch Testimony Dep. I, p. 33. Mini-warehouse shows encompass companies that build small metal warehouse systems. (Crouch Testimony Dep. I, p. 34).

Opposer does not advertise or promote the sale of its fasteners to the building construction industry.[53] Applicant does not advertise or promote its fasteners in the same market segments as opposer (*i.e.*, aerospace, defense, medical, measurement, marine, heavy equipment, fluid power and commercial).[54]

Applicant testified that it has never competed with opposer for a sale.[55] Opposer is unaware of any instances where its products have been used to construct a metal building or that opposer has lost a sale to applicant.[56]

As noted above, the fastener industry is not monolithic. It is composed of separate and distinct market segments. Opposer and applicant sell their fasteners for different applications in different industries. While both parties sell their products through distributors, the evidence shows that only one distributor, Fastenal, carries both products. Accordingly, we find that the products of the parties move in different channels of trade. This *du Pont* factor weighs against finding that there is a likelihood of confusion.

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[53] Bogatz Testimony Dep., Exhibit B; Bogatz Rebuttal Testimony Dep. I, pp. 80-82.

[54] Crouch Testimony Dep. II, pp. 24-25; Exhibits D and 0.

[55] Crouch Testimony Dep. II, p. 31.

[56] Bogatz Testimony Dep., pp. 92-95; Bogatz Rebuttal Testimony Dep. I, pp. 86-88; Bogatz Rebuttal Testimony Dep. II, pp. 37, 47-48.

E. Degree of consumer care.

Opposer testified that its customers are not especially sophisticated or knowledgeable regarding fasteners.[57]

> Q. B&B customers are normally sophisticated and very knowledgeable customers; is that correct?
>
> * * *
>
> A. No, that's not correct. Many of the people that we deal with are purchasing agents or distributors who are just looking for a product that a customer requests.
>
> The customer—about 80% of what we do is through distribution, and even with the larger companies, say for example, aerospace companies, that are buying products, they buy a whole range of fasteners. The same person buys a whole range of fasteners. The same person buys all the fasteners that that company will buy, so if you have one of those purchasers, they buy fasteners for the shed out back, they buy fasteners for maintenance, they buy fasteners for missiles. They buy it all.
>
> * * *
>
> Q. You have customers, so you claim in your literature, such as the government, who buys fasteners for the Mars rover and the space shuttle and the missile systems and aircraft, laser and radiation systems.

---

[57] Bogatz Rebuttal Testimony Dep. II, pp. 36-41, 72-75.

These would be very sophisticated, knowledgeable customers, would they not?

* * *

A. Well, from a business perspective, and people do this on an individual basis, they focus on what they consider to be their greater areas. Certainly, it's a—we take pride in the fact that we have fasteners on the Mars rovers. Is that the only place that our fasteners are used? Certainly not. They're used in a broad range of applications.

Q. Would those be, in your mind, sophisticated customers, knowledgeable customers, about the products they're having to purchase?

* * *

A. Absolutely not. I mean, some of them are sophisticated, but it's on an individual basis.

Q. You advertise that you have had customers such as NASA, Boeing, Raytheon, Honeywell, and Medtronic. Would you consider those as someone—as a businessman, individuals or entities that have representatives who would be sophisticated and knowledgeable in terms of the products they're buying?

* * *

A. Well certainly the company is sophisticated, but the actual fastener purchaser is not sophisticated. They're just buying a product

based upon what an engineer specifies for them.[58]

Despite opposer's testimony, it seems implausible that someone using fasteners in high tech applications, such as the aerospace, fluid power, or marine industries (such as NASA, Boeing, and Raytheon), where preventing liquid or gas leaks is essential, would not exercise a high degree of care in his or her purchasing decision. It seems equally implausible that persons who specialize in purchasing fasteners would have little knowledge regarding the fasteners specifications or the different sources for purchasing different types of fasteners.

On the other hand, the fact that each of the parties deals with persons who may be sophisticated about fastener technology does not provide assurance that they are dealing with persons who are so sophisticated and knowledgeable about trade identifications, or have such good memories for minute differences in marks, that they could differentiate between the respective terms at issue in this case or appreciate that their similarity does not imply some kind of business relationship or affiliation. *Medtronic, Inc. v. Medical Devices, Inc.*, 204 USPQ 317, 326 (TTAB 1979); *Hydrotechnic Corporation v. Hydrotech International, Inc.*, 196 UPSQ 387, 392-393 (TTAB 1977).

In the case *sub judice*, the evidence regarding the degree of care to which ultimate consumers of the parties' products consider the trademarks and source of the fasteners was simply not developed in sufficient detail to permit us to draw any conclusions

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[58] Bogatz Rebuttal Testimony Dep. II, pp. 36-39.

regarding the degree of consumer care. Accordingly, this *du Pont* factor is neutral.

F. Instances of confusion.

Opposer asserts that there are many instances where companies call opposer requesting products sold by applicant such as deck screws and inquiring whether opposer was Hargis Industries or associated with Sealtite.[59] Mr. Bogatz testified that there has been a tremendous increase in such inquiries.[60]

Mr. Bogatz explained how he is able to identify the misdirected telephone calls:

> What happens is when a customer calls or a company calls we will pull out a quote sheet and on the quote sheet we will write down the information that the customer gives us, and sometimes we have companies who call and say are you Sealtight. We say yes, we are. And they go oh, good, I'm looking for a hex washer head with a neoprene washer on it, and then I say well, you must have the wrong Sealtight because the products that we sell have normally an O ring or are sold without an O ring but the sealing member we use is not a (sic) actual neoprene washer and it's not a hex washer head usually. Usually that's buzz words for a product that would be used by Hargus (sic) Industries and so we will—we'll say—at that point 1 will stop them and say you must not be talking about our Sealtight, you must be talking about Hargus (sic)

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[59] Bogatz Testimony Dep., pp. 38-39.

[60] Bogatz Testimony Dep., pp. 39-40.

> Industries in Tyler, Texas, and I will refer them to them.[61]

Applicant challenges the credibility of opposer's testimony that customers inquire whether opposer is related to Hargis Industries because Hargis Industries is an internal, administrative entity, and it is not advertised or promoted. There is no reason for any of applicant's customers to know of Hargis Industries because applicant does not use that name.[62]

However, it is not unusual for Fastenal, or other customers, to call applicant seeking a product that applicant does not sell. In fact, applicant admits that "on occasion we will have a customer call and identify a B&B product that they want to purchase." In those instances where the caller is requesting a sealing fastener, applicant immediately knows that it does not carry such products and will refer the caller to opposer, if applicant recognizes the product as one opposer sells.[63] Subsequent testimony provides that only representatives from Fastenal have called applicant inquiring about opposer's fasteners.[64]

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[61] Bogatz Testimony Dep., p. 41. See also, pp. 51-52.

[62] Crouch Testimony Dep. II, p. 37.

[63] Crouch Testimony Dep. II, pp. 39-41; Crouch Testimony Dep. I, pp. 55, 59, 72-73. Interestingly, opposer's counsel inquired of applicant whether any record of the inquiries were made, but opposer itself apparently never maintained such records as evidenced by the fact that no such records were introduced into evidence. (Crouch Testimony Dep. I, p. 56).

[64] Crouch Testimony Dep. I, p. 73.

We do not find Mr. Bogatz's testimony very compelling. After almost ten years,[65] a civil action, and a cancellation proceeding, opposer produced no telephone memoranda documenting the misdirected telephone inquiries, and it did not identify any customers who were allegedly confused. In addition, the testimony regarding the purported inquiries to Hargis Industries makes the testimony of Mr. Bogatz appear tailored for this litigation, rather than genuine. On the other hand, applicant admitted that it has received misdirected telephone calls from Fastenal, a distributor that sells both parties' fasteners, regarding products manufactured and sold by opposer. On balance, we find that although the evidence regarding instances of actual confusion is not especially compelling, it does lend support to finding that consumers are likely to believe that the use of similar marks (SEALTIGHT and SEALTITE) in connection with different types of fasteners signify origin from a single source.

G. Balancing the factors.

In the case *sub judice*, the most critical factors in our likelihood of confusion analysis are the similarities of the marks and the similarity of the goods. The marks are substantially identical and they are used on closely related products. Although the specific fasteners of the parties are different and they are marketed to different industries, the anecdotal evidence of actual confusion lends support to our finding that when the fasteners of the parties

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[65] Applicant first learned about opposer in 1997 or 1998 when opposer sent applicant a cease and desist letter. (Crouch Testimony Dep. I, pp. 53-54).

are marketed under similar marks, consumers will mistakenly believe that they emanate from the same source.

In view thereof, we find that applicant's mark SEALTITE used in connection with "self-piercing and self-drilling metal screws for use in the manufacture of metal and post-frame buildings" so resembles opposer's mark SEALTIGHT used in connection with fasteners that provide leakproof protection from liquids and gases, fasteners that have a captive o-ring, and "threaded or unthreaded metal fasteners and other related hardware; namely, self-sealing nuts, bolts, screws, rivets and washers, all having a captive o-ring, for use in the aerospace industry" as to be likely to cause confusion.

To the extent that any doubts might exist as to the correctness of our likelihood of confusion analysis, especially considering the prior determination that opposer's mark is merely descriptive and has not acquired secondary meaning, we resolve such doubts against applicant. *See Ava Enterprises Inc. v. Audio Boss USA Inc.*, 77 USPQ2d 1783, 1787 (TTAB 2006); *Baseball America Inc. v. Powerplay Sports Ltd.*, 71 USPQ2d 1844, 1849 (TTAB 2004).

Decision: The opposition is sustained and registration to applicant is refused.

APPENDIX E

15 U.S.C. § 1052 provides in pertinent part:

Trademarks registrable on principal register; concurrent registration

No trademark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on the principal register on account of its nature unless it—

* * *

(d) Consists of or comprises a mark which so resembles a mark registered in the Patent and Trademark Office, or a mark or trade name previously used in the United States by another and not abandoned, as to be likely, when used on or in connection with the goods of the applicant, to cause confusion, or to cause mistake, or to deceive: *Provided*, That if the Director determines that confusion, mistake, or deception is not likely to result from the continued use by more than one person of the same or similar marks under conditions and limitations as to the mode or place of use of the marks or the goods on or in connection with which such marks are used, concurrent registrations may be issued to such persons when they have become entitled to use such marks as a result of their concurrent lawful use in commerce prior to (1) the earliest of the filing dates of the applications pending or of any registration issued under this chapter; (2) July 5, 1947, in the case of registrations previously issued under the Act of March 3, 1881, or February

20, 1905, and continuing in full force and effect on that date; or (3) July 5, 1947, in the case of applications filed under the Act of February 20, 1905, and registered after July 5, 1947. Use prior to the filing date of any pending application or a registration shall not be required when the owner of such application or registration consents to the grant of a concurrent registration to the applicant. Concurrent registrations may also be issued by the Director when a court of competent jurisdiction has finally determined that more than one person is entitled to use the same or similar marks in commerce. In issuing concurrent registrations, the Director shall prescribe conditions and limitations as to the mode or place of use of the mark or the goods on or in connection with which such mark is registered to the respective persons.

* * * *

15 U.S.C. § 1114 provides in pertinent part:

Remedies; infringement; innocent infringement by printers and publishers

(1) Any person who shall, without the consent of the registrant—

> (a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or

(b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive,

shall be liable in a civil action by the registrant for the remedies hereinafter provided. Under subsection (b) hereof, the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such imitation is intended to be used to cause confusion, or to cause mistake, or to deceive.

* * * *

OPPOSITION BRIEF

No. 13-352

In the Supreme Court of the United States

B&B HARDWARE, INC.,
Petitioner,

v.

HARGIS INDUSTRIES, INC.,
D/B/A SEALTITE BUILDING FASTENERS,
D/B/A EAST TEXAS FASTENERS, ET AL.,
Respondents.

On Petition For A Writ Of *Certiorari* To The United States Court Of Appeals For The Eighth Circuit

BRIEF IN OPPOSITION

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RULE 29.6 STATEMENT

Respondents Hargis Industries, Inc., d/b/a Sealtite Building Fasteners, d/b/a East Texas Fasteners, have no parent corporations and no publicly held company owns 10% or more of their stock.

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BRIEF IN OPPOSITION

Respondents Hargis Industries, Inc., d/b/a Sealtite Building Fasteners, d/b/a East Texas Fasteners, respectfully submit that the petition for a writ of *certiorari* should be denied.

STATEMENT

The petition posits no fewer than four supposed circuit splits—one described as "multidimensional" (Pet. 17)—relating to whether the finding of the Trademark Trial and Appeal Board of a likelihood of confusion between two trademarks in a registration proceeding is entitled to preclusive effect or deference in an infringement lawsuit. On examination, however, these supposed "splits" are manufactured from distortions of the decision below or derived from issues not present in this case. There is, in fact, nothing here that warrants investment of this Court's limited resources and the petition should be denied.

A. This case involves two distinctly different contexts in which the "likelihood of confusion" between two trademarks can be adjudicated—an infringement suit in court and an opposition to a registration proceeding before the TTAB. Any "similarity" between the likelihood of confusion inquiries in these two contexts is only "superficial." *Jet, Inc. v. Sewage Aeration Sys.*, 223 F.3d 1360, 1364 (Fed. Cir. 2000).

A "'claim of infringement before the court, and a claim of priority and likelihood of confusion before [the TTAB,] are different claims. The former claim is, in essence, a claim of injury resulting from applicant's *use* of its mark in commerce; the latter claim, in essence, is a claim that opposer believes it would be damaged by *registration* of applicant's mark.'" *Mayer/Berkshire Corp. v. Berkshire Fashions, Inc.*, 424 F.3d 1229, 1233 (Fed. Cir. 2005) (quoting *Am. Hygienic Labs., Inc. v. Tiffany & Co.*, 228 U.S.P.Q. 855, 857 (T.T.A.B. 1986) (emphasis in original)); *see also Jet, Inc.*, 223 F.3d at 1363-64; *Zeibart Int'l Corp. v. Z Tech Rustproofing, Car Care & Accessories, LLC*, 2009 WL 129481, at *4 (T.T.A.B. Jan. 13, 2009) (noting that "analysis of likelihood of confusion in an infringement case is often quite different than it is when considering registration").

Thus, as Petitioner B&B Hardware acknowledges, the likelihood of confusion inquiries in the two disparate contexts involve the application of "different procedures" (Pet. 2), are driven by different purposes, require the application of different legal standards, focus on different criteria, and anticipate significantly different consequences.

1. "In a trademark infringement action, the owner of a registered mark sues for relief from the injury caused by the defendant's actual sale, offering for sale, or advertising of goods or services bearing the challenged mark, whereas an opposition to registration is based on the content of the

registration application." *Mayer/Berkshire Corp.*, 424 F.3d at 1232.

Specifically, in "determining the similarity of marks in an infringement action, a court must examine the visual appearance of each mark in the context of its use." *Jim Beam Brands Co. v. Beamish & Crawford Ltd.*, 937 F.2d 729, 735 (2d Cir. 1991); *see also Kemp v. Bumble Bee Seafoods, Inc.*, 398 F.3d 1049, 1054 (8th Cir. 2005) ("[O]ur comparison of the similarity between marks and products [for trademark infringement] must occur in a context that recognizes how consumers encounter the products and how carefully consumers are likely to scrutinize the marks."); *Homeowners Grp., Inc. v. Home Mktng. Specialists, Inc.*, 931 F.2d 1100, 1109 (6th Cir. 1991) (same) (citations omitted).

Consistent with the operative legal standard, in assessing likelihood of confusion under the Lanham Act, the circuits apply varying multi-factor tests, with the Eighth Circuit opting for a six-factor test, *see SquirtCo v. Seven-Up Co.*, 628 F.2d 1086, 1091 (8th Cir. 1980), the Sixth Circuit an eight-factor test, *see Georgia-Pacific Consumer Prods. LP v. Four-U-Packaging, Inc.*, 701 F.3d 1093, 1100-01 (6th Cir. 2012), the Third Circuit a ten-factor test, *see Interpace Corp. v. Lapp, Inc.*, 721 F.2d 460, 462-63 (3d Cir. 1983), and other circuits employing different combinations of factors, *see* Barton Beebe, *An Empirical Study of the Multifactor Tests for*

Trademark Infringement, 94 CALIF. L. REV. 1581, 1587-94 (2006) (describing varying circuit tests).

2. By comparison, in a Board proceeding, as the Patent and Trademark Office's administrative tribunal, the TTAB "is empowered to determine only the right to register." TTAB Manual of Procedure § 102.01. It "is not authorized to determine the right to use, nor may it decide broader questions of infringement or unfair competition." *Id.*; *see also FirstHealth of the Carolinas, Inc. v. CareFirst of Md., Inc.*, 479 F.3d 825, 828 (Fed. Cir. 2007); *McDermott v. San Francisco Women's Motorcycle Contingent*, 81 U.S.P.Q.2d 1212, 1216 (T.T.A.B. 2006) ("[T]he Board's jurisdiction is limited to determining whether trademark registrations should issue or whether registrations should be maintained; it does not have authority to determine whether a party has engaged in criminal or civil wrongdoings."), *aff'd*, 240 F. App'x 865 (Fed. Cir. July 11, 2007).

A trademark cannot be registered—and thus accorded the particular benefits that come with registration—if it "so resembles a mark registered in the [Patent and Trademark Office], or a mark or trade name previously used in the United States by another and not abandoned, as to be likely, when used on or in connection with the goods of the applicant, to cause confusion." 15 U.S.C. § 1052(d).

In determining likelihood of confusion in the registration, opposition or cancellation context, the TTAB applies the thirteen-factor test set forth in *In*

re E.I. DuPont DeNemours & Co., 476 F.2d 1357, 1361 (C.C.P.A. 1973). But, unlike an infringement lawsuit, "[i]n a proceeding seeking the cancellation of a trademark or opposing an application for registration, 'likelihood of confusion is determined only as to the registrability of the applicant's mark exactly as shown in the application and only as to the goods listed, regardless of actual usage.'" *Levy v. Kosher Overseers Ass'n of Am., Inc.*, 104 F.3d 38, 41 (2d Cir. 1997) (quoting *Jim Beam Brands*, 937 F.2d at 734) (emphasis omitted)); *see also Light Sources, Inc. v. Cosmedico Light, Inc.*, 360 F. Supp. 2d 432, 440 (D. Conn. 2005) ("Litigation before the TTAB in opposition proceedings is, therefore, limited to whether one has the right to register a mark, and not whether one has the right to exclusive use of the mark in practice.") (citation omitted); *In re Infinity Broadcasting Corp. of Dallas*, 60 U.S.P.Q.2d 1214, 1218 (T.T.A.B. 2001) (noting that "in Board proceedings, likelihood of confusion is determined independent of the context of actual usage"); 6 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 32:101 (4th ed. 2013) (same).

3. These distinctions and variations establish that a court's likelihood of confusion analysis in an infringement suit differs materially from the TTAB's likelihood of confusion analysis in a registration, cancellation or opposition proceeding—and vice versa.

These differences explain why, on numerous occasions, the Federal Circuit, the Eighth Circuit here, and numerous other courts have refused to accord each other's likelihood of confusion findings issue preclusive effect. *See, e.g., Mayer/Berkshire Corp.*, 424 F.3d at 1233-34 (district court finding not preclusive before TTAB); Pet. App. 1a-14a (TTAB finding not preclusive in district court); *Jim Beam Brands*, 937 F.2d at 734 (Federal Circuit/TTAB finding not preclusive in district court); *Levy*, 104 F.3d at 43 (TTAB finding not preclusive in district court); *Save the Children Fed'n, Inc. v. Larry Jones Int'l Ministries, Inc.*, 38 U.S.P.Q.2d 1495, 1498 (D. Conn. 1996) (same); *cf. FirstHealth of Carolinas*, 479 F.3d at 828 n.1 (acknowledging that "the Board's likelihood of confusion ... findings ... may not" be preclusive in future case) (citing *Jim Beam Brands*, 937 F.2d at 734-36).

B. Hargis Industries is in the business of selling self-drilling and self-piercing construction fasteners for use in the metal building construction industry. Since its beginning in January 1992, Hargis has continuously sold its construction fasteners or sheeting screws to the metal building industry under the mark "Sealtite." Trial Transcript ("Tr.") 723, 755-56, 760.[1] Hargis does business as "Sealtite Building Fasteners." Tr. 824; *B&B*

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[1] Transcript citations are to the transcript of the trial of this case in the district court.

Hardware, Inc. v. Hargis Indus., Inc., 252 F.3d 1010, 1011 (8th Cir. 2001) ("*Hargis I*"). Its fasteners are designed to keep out external elements, like rainwater. Tr. 761.

B&B sells a specialty fastener under the name "Sealtight," which is designed for precision and high-pressure applications, primarily in the aerospace and other high-tech industries. Pet. App. 2a-3a. Its prominent feature is an o-ring assembly that is able to withstand pressure in excess of twenty thousand psi. Tr. 836-38, 1030-35.

C. In June 1998, B&B sued Hargis for trademark infringement based on its use of the "Sealtite" mark. A jury found that B&B's "Sealtight" mark was merely descriptive and lacked secondary meaning and, therefore, was invalid and unenforceable. *Hargis I*, 252 F.3d at 1012. B&B appealed but the Eighth Circuit affirmed. *Id.* at 1014.

Five years later, in August 2006, B&B filed a second lawsuit against Hargis for trademark infringement involving the same trademarks. The district court dismissed the suit on issue preclusion grounds based on *Hargis I*. *See B&B Hardware, Inc. v. Hargis Indus., Inc.*, No. 4:06-cv-01654, 2007 WL 2711647 (E.D. Ark. Sept. 13, 2007). The Eighth Circuit reversed and remanded, finding that although likelihood of confusion was litigated in *Hargis I*, the jury in that case did not actually decide

it. *See B&B Hardware, Inc. v. Hargis Indus., Inc.*, 569 F.3d 383, 389-90 (8th Cir. 2009) ("*Hargis II*").

D. In the meantime, before the TTAB, B&B opposed Hargis's application to register its mark "Sealtite" for "self-piercing and self-drilling metal screws for use in the manufacture of metal and post-frame buildings." Pet. App. 42a. In August 2007, the TTAB denied Hargis's application based on its conclusion that there was a likelihood of confusion between Hargis's "Sealtite" mark and B&B's "Sealtight" mark. *Id.* at 71a.

Following limited discovery and based on minimal evidence, the TTAB reached its decision by looking at six of the thirteen factors set forth in *In re E.I. DuPont DeNemours*, 476 F.2d at 1361.[2] Noting that B&B failed to introduce any evidence of consumer recognition for its mark, the Board found that the factor of fame did not support a finding of likelihood of confusion. Pet. App. 56a. It also found that the parties sell their fasteners for different applications in different industries, and their respective products "move in different channels of trade[,]" which likewise weighed against a finding of likelihood of confusion. *Id.* at 64a. Although characterizing B&B's evidence as "tailored" and "not especially compelling," the Board found "anecdotal

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[2] B&B claims that the TTAB took "extensive evidence," Pet. 12, but it cites nothing to support that assertion, and it is contrary to the record. Indeed, not one customer in the marketplace testified by deposition in the TTAB proceeding.

evidence" of actual confusion—some misdirected phone calls—that added some support for its finding of likelihood of confusion. *Id.* at 70a. A fourth factor, the degree of consumer care, was not sufficiently developed in the Board's view to draw any conclusions. *Id.* at 67a-68a.

The "most critical factors in [the TTAB's] likelihood of confusion analysis" were the "similarities of the marks and the similarity of the goods." *Id.* at 70a. The TTAB observed that the two marks were similar because they were "phonetically equivalent" and had the same "meaning and commercial impression ... when used in connection with metal fasteners...." *Id.* at 56a-57a. And, it determined that the two fasteners were "intrinsically related" simply because they are both types of fasteners. *Id.* at 61a. In the Board's analysis, the greater the degree of similarity between the marks, the lesser the degree of similarity is required between the goods to support a finding of likelihood of confusion. *Id.*

In sum, the Board found that three of the factors it considered supported a finding of likelihood of confusion, two of the factors it considered supported a finding of no likelihood of confusion, and one of the factors it considered was neutral. Accordingly, the Board applied the settled presumption that doubts about likelihood of confusion in an opposition proceeding are resolved against the applicant,

"resolve[d] such doubts against" Hargis, and denied Hargis's application. *Id.* at 71a.

E. In June 2010, following remand from the Eighth Circuit's decision in *Hargis II*, the parties tried B&B's infringement claims and Hargis's counterclaims of false advertising and false designation of origin.

1. During trial, the district court permitted B&B to elicit testimony and argue to the jury that Hargis was unable to register its mark and that the TTAB found the parties' marks and goods to be similar. Tr. 731-32, 923, 1332, 1334. It instructed the jury on the TTAB proceedings and how the jury should consider evidence relating to those proceedings. Tr. 1393. To avoid jury confusion and undue prejudice, however, the court exercised its discretion and excluded the TTAB's opinion itself. Pet. App. 12a-13a.

2. At the close of the evidence, the district court instructed the jury on the six-factor test the Eighth Circuit applies in determining likelihood of confusion in a trademark infringement suit under the Lanham Act. Pet. App. 29a; *SquirtCo*, 628 F.2d at 1091.[3] Unlike in the opposition proceeding before

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[3] The six *SquirtCo* factors are: (1) the strength of the owner's mark; (2) the similarity of the owner's mark and the alleged infringer's mark; (3) the degree to which the products compete with each other; (4) the alleged infringer's intent to "pass off" its goods as those of the trademark owner; (5) incidents of

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the TTAB, in the trademark lawsuit, there was no presumption that doubts would be resolved against Hargis. B&B carried the burden of persuasion. Pet. App. 11a.

The evidence introduced at trial demonstrated "convincingly that other than the fact that both products are fasteners, they are distinctly and vastly different in their features and characteristics, functions and applications, and pricing structure." Pet. App. 35a. "B&B's product is a high-precision fastener" which requires a pre-drilled and pre-tapped hole, and which B&B claims is designed for equipment in high-pressure environments "ranging from the space shuttle to underwater cameras." Pet. App. 35a. Hargis's construction fasteners, on the other hand, "are self-tapping, self-drilling screws designed to attach sheet metal to wood and steel frames." *Id.* As the district court concluded, "B&B offered no credible evidence to rebut" the evidence introduced by Hargis at trial "that there is no possible cross-over between the companies' products." *Id.*

In the Eighth Circuit, competitive proximity, not similarity (a factor in the TTAB analysis), is the principal factor in determining likelihood of confusion. To that end, there was "extensive

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actual confusion; and (6) the type of product, its costs and conditions of purchase. *See SquirtCo*, 628 F.2d at 1091.

testimony" at the infringement trial that the companies are not, and never have been, in competition with one another, either directly or indirectly. Pet. App. 35a.

Hargis introduced dispositive evidence demonstrating that B&B and Hargis sell to different industries consisting of sophisticated and knowledgeable purchasers who understand what fasteners are appropriate and acceptable in their respective industries. Pet. App. 37a. Hargis's customers are manufacturers of pre-engineered metal buildings and metal building components. Pet. App. 3a, 35a. B&B markets to customers such as Boeing, the U.S. military, and NASA, manufacturers of high-tech aircraft, missile systems, and the space shuttle. Pet. App. 35a.

Hargis also introduced evidence demonstrating that after eighteen years of Hargis and B&B's co-existence, there was no evidence of a single fastener that Hargis had ever sold outside the metal building industry, a single fastener that B&B had ever sold to that industry, or a single sale B&B had ever lost on the basis of a purchaser buying a Hargis fastener believing it to be a B&B product. Tr. 423, 425, 428-30, 903-04.

At the same time, the trial was highlighted by the *absence* of evidence bearing on the *SquirtCo* factors that might have supported B&B's claim of likelihood of confusion. For example, the strength of the mark is a factor in the Eighth Circuit's likelihood

of confusion analysis, *SquirtCo*, 628 F.2d at 1091, whereas in the TTAB proceeding, it was not. Pet. App. 54a-55a. Yet, B&B failed to produce credible evidence of any noticeable change in its mark's strength since the jury's verdict in *Hargis I* finding B&B mark's merely descriptive and lacking secondary meaning. Pet. App. 34a-35a ("Even B&B seemed to concede that its mark is not so strong by asserting a theory of reverse confusion. The weight of the evidence introduced at trial supports a finding that B&B's mark is weak.").

Intent is another factor in the Eighth Circuit's analysis, *see SquirtCo*, 628 F.2d at 1091, but was not a consideration in the TTAB opposition proceeding. With respect to this factor also, B&B failed to introduce any evidence that Hargis adopted its "Sealtite" mark with the intent to pass off its goods as those of B&B. Pet. App. 36a. To the contrary, the undisputed record confirmed that Joe Hargis, Hargis's owner, adopted the Sealtite mark without any such intent and before he had ever heard of B&B or its "Sealtight" mark. *Id.*

As for instances of actual confusion between the parties' fasteners, B&B offered only scant hearsay evidence of some misdirected phone calls and faxes to B&B. Pet. App. 36a-37a. Notably, B&B did not call as a witness at trial a single customer or other third-party witness to substantiate any actual confusion as to the source of the goods.

The only *SquirtCo* factor that supported a finding of likelihood of confusion was the similarity of the two marks, though, as the district court noted, there was evidence of dissimilarity in actual use in the marketplace because Hargis virtually always uses "Sealtite" in the context of "Sealtite Building Fasteners," not in isolation. Pet. App. 35a.

3. Apart from B&B's failure to meet its burden on its claim of trademark infringement and the overwhelming evidence to the contrary, the proof at trial also established that B&B had engaged in a conscious and deceptive scheme to manufacture evidence in support of its trademark infringement claim and the appearance of confusion between the parties' respective marks. Pet. App. 13a-14a. As just one example, B&B copied directly from Hargis's website photographs of Hargis's fasteners and inserted them in B&B's so-called new construction fastener website several months before trial, all in an effort to enhance its likelihood of confusion case. *Id.*; Hargis's Addendum to Br. in U.S. Court of Appeals for the Eighth Circuit, filed June 14, 2011 ("Hargis Add."), at 1-10 (comparing Hargis fasteners to B&B copies of those fasteners).

B&B tried to conceal its copying by manipulating some of the photographs and switching the heads of different fasteners. When confronted at trial with this conduct—and specifically with the fact that the size and weight charts on the Hargis and B&B websites were identical—B&B's president and

part-owner, Larry Bogatz, claimed that he personally created the tables of weights for the fasteners found on B&B's new website. Tr. 487-89; 502. But that, too, was false, as B&B's contrived website revealed a typo on one of its charts identical to one on Hargis's site, thus confirming that B&B had copied the charts as well. *See* Hargis Add. at 9-10; Pet. App. 14a (noting "misrepresentations" made at trial and by Mr. Bogatz in his deposition testimony).[4]

4. The jury returned a verdict against B&B on all of its claims and for Hargis on its counterclaims. Pet. App. 2a. It found no likelihood of confusion between the parties' "Sealtite" and "Sealtight" marks and found that Hargis had not engaged in unfair competition or false designation of origin. *Id.* at 3a-4a. On Hargis's counterclaims, the jury found that B&B copied from Hargis's website and had engaged in both false advertising and false designation of origin. *Id.* at 21a-25a. Post-trial, the district court found that B&B's willful and deliberate attempt to manufacture evidence to support its trademark infringement claim made the case "exceptional" under 15 U.S.C. § 1117(a), thus entitling Hargis to

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[4] For a litany of transgressions B&B committed during the the infringement lawsuit, *see* the district court's memorandum and order finding an "exceptional" case under 15 U.S.C. § 1117(a). *B&B Hardware, Inc. v. Hargis Industries, Inc.*, No. 4:06-cv-01654, Dkt. 242 (E.D. Ark. Nov. 10, 2010); *see also id.* at 11 ("The evidence is overwhelming that B&B engaged in efforts to manufacture the appearance of confusion...").

an award of attorneys' fees. *Id.* at 13a-14a. B&B appealed the final judgment and the district court's "exceptional" case finding and award of fees.

F. A majority of the Eighth Circuit affirmed in all respects.[5] Pet. App. 1a-14a (Shepherd and Loken, JJ.).

1. The Eighth Circuit first determined that the TTAB's prior likelihood of confusion finding was not entitled to preclusive effect on the record before it. The court "[a]ssum[ed] TTAB decisions may be entitled to preclusive effect," but found that issue preclusion did not attach to the TTAB's decision "here because ... the same likelihood-of-confusion issues were not decided by the TTAB as those brought in the action before the district court." Pet. App. 7a. The court explained that because "the issue of likelihood of confusion in a cancellation proceeding may be different from the issue of likelihood of confusion in an action for infringement[,]" the TTAB's decision "must be carefully examined to determine exactly what was decided and on what evidentiary basis." *Id.* at 8a (citations and internal quotation marks omitted).

The court then carefully examined what the TTAB decided and the basis for its decision. It

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[5] The Eighth Circuit remanded for a recalculation of the attorneys' fee award based on its conclusion that fees connected to B&B's prior appeal should be excluded because that appeal was not "groundless and unreasonable." Pet. App. 14a.

observed that in applying six of the thirteen *DuPont* factors for determining likelihood of confusion in Hargis's registration proceeding, the TTAB found "that the specific fasteners are significantly different products and are marketed to different industries and customers, and that those findings would not support a finding of likelihood of confusion." *Id.* at 9a. Nevertheless, "the TTAB determined that, for registration purposes, the similarities of the marks trumped the market usage of the products in its likelihood-of-confusion analysis." *Id.*

As the Eighth Circuit found, this record barred application of issue preclusion because for issue preclusion "'to apply, the [TTAB] must have examined the entire marketplace context as is done in trademark infringement actions.'" Pet. App. 10a (quoting 6 *McCarthy on Trademarks and Unfair Competition* § 32:101 (citing *Levy*, 104 F.3d at 43) (internal quotation marks omitted)).

Despite its findings that the parties' fasteners were "different and marketed to vastly different industries and customers"—which "weighed against a finding of likelihood of confusion"—"the TTAB placed greater emphasis on the appearance and sound when spoken of the two marks and ultimately determined that there was a likelihood of confusion." Pet. App. 10a. The TTAB's approach thus departed from the likelihood of confusion analysis required in infringement cases, which focuses on the "marketplace usage of the marks and products." *Id.*

(citation omitted). As a result, issue preclusion did not apply because the TTAB "did not decide the same likelihood-of-confusion issues presented to the district court in this infringement action." *Id.*

2. The Eighth Circuit further concluded that the "fact that Hargis was unable to overcome B&B's challenge to the registration of Hargis's mark on the basis of likelihood of confusion [before the TTAB] does not establish that B&B can meet its burden of persuasion for trademark infringement purposes." Pet. App. at 11a. This independently foreclosed any finding of issue preclusion given the settled rule that the "'[f]ailure of one party to carry the burden of persuasion on an issue should not establish the issue in favor of an adversary who otherwise would have the burden of persuasion on that issue in a later litigation.'" *Id.* at 10a-11a (citations omitted).

3. Finally, the Eighth Circuit declined to disturb the district court's decision not to defer to the TTAB's findings. B&B offered only a thirty-year-old district court decision in support of its deference argument. Pet. App. 11a. The Eighth Circuit found that case, which applied deference in reviewing directly a TTAB decision under 15 U.S.C. § 1071(b), distinguishable and declined to defer to the TTAB's registration-related ruling in this infringement suit. *Id.* at 11a-12a.

4. Judge Colloton dissented, but not because he identified any conflicts among the circuits on the controlling law regarding the effect and weight of the

TTAB's findings in an infringement lawsuit. Rather, applying the same test adopted by the majority—but substituting his view of the record for the district court's assessment of what the Board considered and decided—Judge Colloton concluded that the TTAB did compare the two parties' marks "in their entire marketplace context...." Pet. App. 18a. He therefore found that "'the factual basis for the likelihood of confusion issue is the same, the issues are the same, and collateral estoppel is appropriate.'" Pet. App. 18a (quoting *Levy*, 104 F.3d at 42) (other citations omitted).

REASONS FOR DENYING THE PETITION

The petition for *certiorari* presents two questions and asserts the existence of four separate circuit splits. Each of those claimed splits, however, is illusory. The results in the cases are not driven by "conflicts" but by fact-bound, case-specific applications of distinct multi-factor legal standards. Nor do any of the decisions purport to identify a conflict with any other circuit's approach, including the Eighth Circuit's decision below. The Eighth Circuit's treatment of issue preclusion in this case also rests on independent grounds that do not implicate the abstract legal questions the petition presents. There thus is no colorable ground to grant review under this Court's Rule 10.

I. B&B's Asserted Circuit Splits Are Illusory.

B&B claims that the Eighth Circuit's decision creates four different circuit splits on issue preclusion and deference in the trademark infringement context. Each of these conflicts is illusory.

A. B&B first contends that the decision below conflicts with certain Federal Circuit decisions that have given preclusive effect to *district court findings* of likelihood of confusion in infringement suits. Pet. 14-17. B&B is wrong.

1. To begin with, B&B mixes apples and oranges. Giving preclusive effect in a TTAB proceeding to a decision of an Article III court, on the one hand, and not giving preclusive effect in an infringement lawsuit to a TTAB decision, on the other, does not present a conflict at all. These are: (1) different tribunals—one an administrative agency, one an Article III court; (2) analyzing different issues—likelihood of confusion under different provisions of the Lanham Act; (3) applying different legal standards—one a thirteen-factor test focused on similarity between the mark as set forth in the registration application and the opposer's mark, the other a six-factor test focused on actual use of the marks in the marketplace; (4) in different types of proceedings—registration, opposition or cancellation proceedings in one instance, infringement litigation in the other.

2. The case law also makes clear that whether likelihood of confusion presents an identical issue in a particular TTAB registration or court infringement

proceeding involves a fact-bound, case-specific question that is not—and cannot be—governed by some overarching, black-and-white legal rule. For every decision that finds a likelihood of confusion finding preclusive, Pet. 14-15, there is a case that finds a likelihood of confusion finding not preclusive, *supra* at 6.

Likewise, the Eighth Circuit's decision here—in line with the Second Circuit—plainly does not hold or suggest that a TTAB likelihood of confusion finding in a registration or cancellation proceeding can *never* be preclusive in a subsequent infringement lawsuit in court. Under the Eighth Circuit's decision, a TTAB finding on likelihood of confusion that accounts for the marketplace context in a meaningful way likely would be entitled to issue preclusive effect in a second proceeding. Pet. App. 8a-10a; *Levy*, 104 F.3d at 42 (TTAB or Federal Circuit finding on likelihood of confusion entitled to preclusion if the "context of the marketplace" was "taken into account ... in a meaningful way"); *Jim Beam Brands*, 937 F.2d at 734-36 (same).

Accordingly, B&B's claimed conflict between the Eighth and the Federal Circuits does not exist.

B. B&B's tortured efforts to manufacture what it calls a "multidimensional" (Pet. 17) split among the Eighth Circuit and five other circuits are equally infirm.

1. For starters, the Eighth Circuit's decision does not, as B&B claims, stand alone among the circuits in its supposed "view that 'likelihood of

confusion' necessarily means different things before the TTAB and district courts." Pet. 17. As discussed above, the Federal Circuit and the TTAB both recognize—consistent with the statutory scheme, scholarly commentary, and other circuits—that "likelihood of confusion" presents a different issue in the registration/opposition/cancellation setting than it does in an infringement suit in court. *See Mayer/Berkshire Corp.*, 424 F.3d at 1233; *Jet, Inc.*, 223 F.3d at 1363-64; 6 *McCarthy on Trademarks and Unfair Competition* § 32:101 ("It must be kept in mind that a determination of a likelihood of confusion in the context of an opposition or cancellation and its review on appeal to the Federal Circuit may sometimes bear little relevance to the issues presented in a subsequent infringement suit... Thus, an inter partes decision of the Trademark Board, whether reviewed by the Federal Circuit or not, must be carefully examined to determine exactly what was decided and on what evidentiary basis."); *see also supra* at 1-5. And, the Eighth Circuit's decision plainly does not mean that the TTAB's findings on likelihood of confusion will never be accorded preclusive effect in infringement suits in that Circuit. *Supra* at 21. Rather, such preclusive effect will be determined on the facts of each case.

2. Nor, contrary to B&B's assertion, would the Second Circuit inevitably reach a different conclusion on the facts of this case. Pet. 20-22. Indeed, the Eighth Circuit's holding expressly tracked and followed the Second Circuit's rule, which looks to whether the TTAB took into account in a "meaningful manner" the "context of the

marketplace." *Levy*, 104 F.3d at 43. It is likely, therefore, that the Second Circuit would have applied its own rule in *Levy* just like the Eighth Circuit did here, and hold, just like the Eighth Circuit, that the TTAB's likelihood of confusion finding is not issue preclusive. It is nothing more than rank speculation to say that the Second Circuit, unlike the Eighth Circuit applying the same standard, would have applied issue preclusion in this case.

3. B&B's claim that the "Third and Seventh Circuits have unambiguously accorded preclusive effect to TTAB decisions on the likelihood of confusion" and "would have applied" preclusion in this case is still more misdirection. Pet. 17, 20 (discussing *Jean Alexander Cosmetics, Inc. v. L'Oreal USA, Inc.*, 458 F.3d 244 (3d Cir. 2006) and *EZ Loader Boat Trailers, Inc. v. Cox Trailers, Inc.*, 746 F.2d 375 (7th Cir. 1984)). That is because the question of identity of the likelihood of confusion issue was not actually disputed by the parties in either case B&B relies on. *See Jean Alexander*, *generally* (not considering whether the likelihood of confusion issues were identical); *EZ Loader*, *generally* (same).

Instead, the Third Circuit's decision in *Jean Alexander* turned on whether the TTAB's likelihood of confusion finding was "necessary" to its ultimate determination on cancellation—a separate and distinct element of issue preclusion. *See Jean Alexander*, 458 F.3d at 249 (stating that the "dispute centers on whether the TTAB's findings on likelihood of confusion was 'necessary' to its decision in the

cancellation proceedings"). And the Seventh Circuit's decision in *EZ Loader* turned on whether the party opposing issue preclusion had a full and fair opportunity to litigate the likelihood of confusion question in the TTAB proceeding—a separate and distinct element of issue preclusion, too.[6] *See EZ Loader*, 746 F.2d at 377 (stating that issue on appeal was whether EZ Loader had a "fair and full opportunity to litigate the question [of likelihood of confusion] in the previous proceedings") (citations omitted).

4. B&B's assertion that decisions from the Fourth, Fifth and Eleventh Circuits further deepen the proposed split is unfounded as well. For example, B&B states that the Fifth Circuit, in *American Heritage Life Insurance Company v. Heritage Life Insurance Company*, 494 F.2d 3 (5th Cir. 1974), "held that TTAB decisions cannot be preclusive." Pet. 23. But that is not what the Fifth Circuit said in that case—it "suggest[ed] ... that the doctrines [of preclusion], with respect to administrative proceedings, are not applied with the same rigidity as their judicial counterparts." *Am. Heritage Life Ins. Co.*, 494 F.2d at 10 (citation omitted). That is how the Eleventh Circuit, which is bound by *American Heritage*,[7] recently read the decision. *See Maldonado v. U.S. Attorney General*,

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[6] In *EZ Loader*, the court also considered the preclusiveness of the *Federal Circuit's* ruling, not the TTAB's. *Id.* at 376-78.

[7] *See Bonner v. City of Prichard*, 661 F.2d 1206, 1207 (11th Cir. 1981) (*en banc*) (adopting all pre-October 1, 1981 Fifth Circuit decisions as binding in Eleventh Circuit).

664 F.3d 1369, 1377-78 (11th Cir. 2011) (citing *American Heritage* for proposition that *res judicata* "applies even more flexibly in the administrative context than it does when a second court of competent jurisdiction is reviewing the decision of a first court"). And, as the Eleventh Circuit noted in *Maldonado*, that view is consistent with the "clear majority of our sister circuits" as to administrative preclusion generally. *Id.* at 1378 (citing cases from eight other circuits).

The Eleventh Circuit's decision in *Freedom Savings & Loan Association v. Way*, 757 F.2d 1176 (11th Cir. 1985), seems to suggest a bright-line no-preclusion rule, relying on a broad reading of *American Heritage* that diverges from that Circuit's more recent interpretation of the decision in *Maldonado*. 757 F.2d at 1180. Yet, in its more than twenty-eight years of existence, *Freedom Savings & Loan* does not appear to have been cited for such a rule by the Eleventh Circuit or district courts that are bound by that Circuit's precedent. It is, at most, an outlier that—given its subsequent history—is unlikely to attract future judicial adherents.

The Eighth Circuit's decision thus does not conflict with the decisions of other circuits, nor is there the "multidimensional" split among numerous circuits that B&B propounds.

C. B&B posits yet a third circuit split on the question of deference to the TTAB's finding of a likelihood of confusion where issue preclusion does not apply. That split, too, is far more imagined than real.

B&B does not cite a single circuit that has concluded that no deference is ever due to the TTAB's finding of likelihood of confusion in a registration/opposition proceeding. The Eighth Circuit did not hold as much here. Rather, focusing on the way B&B argued for deference—and, specifically, its reliance on a 1983 district court decision applying deference in reviewing directly a TTAB ruling under 15 U.S.C. § 1071(b)—the Eighth Circuit found the case distinguishable given the different context in which it was reached. Pet. App. 11a-12a. The court of appeals made no broad pronouncement that it would never entertain a deference argument in this setting. Nor did Judge Colloton dissent from the majority's conclusion not to defer to the TTAB's finding. *Id.* at 14a-20a.

At the same time, while one other circuit has independently endorsed a principle of deference to the TTAB's findings,[8] *see Am. Heritage Life Ins. Co.*, 494 F.2d at 10 (court must accept TTAB findings on likelihood of confusion "unless the contrary is established by 'evidence which, in character and amount carries thorough conviction'") (citations omitted), this case would not, contrary to B&B's unelaborated claim, be decided differently under that deference rule. Pet. 24-25. The record

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[8] B&B categorizes the Eleventh Circuit as a circuit that endorses the deference rule. Pet. 24. To the extent that remains true, *but see supra* at 24-25, however, it is only because the Eleventh Circuit in *Freedom Savings & Loan* was bound by the Fifth Circuit's pre-1981 decision in *American Heritage*. *See Freedom Savings & Loan*, 757 F.2d at 1180; *supra* n.7.

developed in the district court conclusively establishes—with "thorough conviction"—that there was no likelihood of confusion between the marks. *Supra* at 11-13; Pet. App. 11a (noting that, "[a]s the district court found, the products, other than having similar names and both being fasteners, were not similarly priced, similarly marketed, or intended to be used in conjunction with or in substitution for one another"); Pet. App. 34a-37a (district court's post-trial opinion).

The Fourth Circuit's unpublished decision in *Miguel Torres, S.A. v. Cantine Mezzacorona, S.C.A.R.L.*, 108 F. App'x 816 (4th Cir. 2004), offers no support for Petitioner's strained attempt to fashion a circuit split either. The court of appeals there did not analyze the preclusive effect of the TTAB's likelihood of confusion finding. *See id., generally*. Moreover, unpublished decisions that do not establish binding circuit precedent—and, therefore, that the court of appeals is free to disregard in future cases—do not give rise to a circuit conflict that might warrant this Court's review.

D. Finally, B&B claims that there is a split relating to the Eighth Circuit's ruling that issue preclusion did not apply because the burden and standard of proof before the TTAB and the district court were different. Pet. 31. No such split exists.

The case B&B says is in conflict with the decision below on this issue—the Third Circuit's decision in *Jean Alexander*—did not even consider the burden-shifting rationale for not applying issue

preclusion or Section 28 of the Restatement (Second) of Judgments, which embodies that rationale. Rather, the court there considered the distinct "full and fair opportunity to litigate" element of issue preclusion. And, it rejected the contention that that element was not met as to the party resisting preclusion because that party did not have the burden of proof in the prior proceeding. *Jean Alexander*, 458 F.3d at 256 n.5. The Third Circuit's decision is not in conflict with the Eighth Circuit's ruling here. *Compare* Pet. App. 10a-11a.

Simply put, B&B fails to articulate a single, developed split between the Eighth Circuit and any other circuit—or even among other circuits—for any of the reasons it claims. The petition should be denied on this ground alone.

II. THE EIGHTH CIRCUIT'S DECISION IS CORRECT.

Without a colorable circuit split, B&B's argument for *certiorari* reduces to error correction. Of course, fact-bound error correction is not this Court's role and is not a basis for *certiorari*. *See* S. Ct. R. 10. And, there is no error.

Here, the Eighth Circuit's decision follows both from the Federal Circuit's and the TTAB's own recognition that the likelihood of confusion inquiry differs materially in the registration and infringement contents, and from the settled and well-reasoned views of the Second Circuit and scholarly commentators. *Supra* at 1-6, 21-23. The court of appeals' ruling also follows from foundational principles of preclusion law. Preclusion provides a "drastic" remedy (*Legnani v. Alitalia*

Linee Aeree Italiane, S.P.A., 400 F.3d 139, 142 n.2 (2d Cir. 2005)), which "blockades unexplored paths that may lead to the truth...." *Brown v. Felsen*, 442 U.S. 127, 132 (1979). Thus, in order to protect constitutional rights to due process and a jury trial, preclusion cannot be applied unless a "careful inquiry" (*id.*) shows that its application is "certain to every intent. . . ." *Russell v. Place*, 94 U.S. (4 Otto) 606, 610 (1876)).

For the same reasons, this Court has emphasized that issue preclusion "must be confined to situations where the matter raised in the second suit is identical in all respects with that decided in the first proceeding and where the controlling facts and applicable legal rules remain unchanged." *CIR v. Sunnen*, 333 U.S. 591, 599–600 (1948); *see also Enica v. Principi*, 544 F.3d 328, 337 (1st Cir. 2008) (same); *Estate of True v. CIR*, 390 F.3d 1210, 1232 (10th Cir. 2004) (same); *see also* 18 Wright, Miller, and Cooper, *Federal Practice and Procedure* § 4417, at 413 n.1 (2d ed. 2002) (noting that courts have insisted that "[p]roof that the identical issue was involved ... is 'an absolute due process prerequisite to the application of collateral estoppel'") (citation omitted). The Eighth Circuit's careful approach to applying issue preclusion comports squarely with these principles.

The Eighth Circuit's analysis likewise aligns with the circuits' uniformly flexible application of preclusion to administrative agency determinations. All the circuits that have spoken to the issue—including the Fifth and Eleventh Circuits, which B&B claims have adopted a contrary rule on the preclusiveness of TTAB findings—have stressed that

the preclusion doctrines apply "even more flexibly in the administrative context than [they do] when a second court of competent jurisdiction is reviewing the decision of a first court." *Maldonado*, 664 F.3d at 1377; *see also Artukovic v. INS*, 693 F.2d 894, 898 (9th Cir. 1982) ("[I]n the administrative law context, the principles of collateral estoppel [are] applied flexibly.") (citation omitted); *Richlands Med. Ass'n v. Harris*, 651 F.2d 931, 935 (4th Cir. 1981) ("res judicata in the administrative setting 'is not encrusted with the rigid finality that characterizes the precept in judicial proceedings'") (citation omitted); *Am. Heritage Life Ins. Co.*, 494 F.2d at 10 ("We ... suggest ... that the doctrines [of res judicata and collateral estoppel], with respect to administrative proceedings, are not applied with the same rigidity as their judicial counterparts.") (citation omitted).

The refusal to treat TTAB findings as "encrusted with ... rigid finality" is sensible given that the TTAB, like other administrative agencies, is not subject to the strictures of Article III and is free to render "advisory" rulings. *See Tenn. Gas Pipeline Co. v. Federal Power Comm'n*, 606 F.2d 1373, 1380 (D.C. Cir. 1979); *Weight Watchers Int'l, Inc. v. I. Rokeach & Sons, Inc.*, 546 F. Supp. 841, 842 (S.D.N.Y. 1982) ("The [TTAB] is not a judicial body restricted by the case-or-controversy requirement of article III of the Constitution."); 6 *McCarthy on Trademarks and Unfair Competition* § 32:100 ("As to decisions of the Trademark Board, it is significant to note that since the Board is not a judicial body under Article III of the Constitution, it is not bound by the 'case or controversy' requirement and is therefore

free to make advisory and ex parte rulings on non-essential issues."). And, "additional flexibility is recognized to defeat preclusion to accommodate the distinctive substantive and procedural policies that may govern agency adjudication...." *See* 18B Wright, Miller, and Cooper, *Federal Practice and Procedure* § 4475 (2d ed. 2002).

B&B nevertheless attacks the Eighth Circuit's decision on several grounds, each of which offers little beyond hyperbole. B&B first claims that the Eighth Circuit "has adopted a position that would prevent the TTAB's decisions on likelihood of confusion from ever being treated as definitive." Pet. 26. But that is not true. The Eighth Circuit held that where, in deciding likelihood of confusion, the TTAB meaningfully accounts for confusion in the "entire marketplace context" in the way that a court would in an infringement suit, the TTAB's finding may be entitled to issue preclusive effect. Pet. App. 8a-11a; *supra* at 21.

Nor is there support for B&B's assertion that the "logic" of the Eighth Circuit's ruling "likely would preclude *judicial* decisions from other circuits from being recognized as covering the same issue."[9] Pet. 26-27. The Eighth Circuit did not discuss or decide the preclusive effect of a likelihood of confusion finding of a court from another circuit. At the same time, the Eighth Circuit pointed out that unlike the TTAB, courts deciding likelihood of

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[9] B&B claims (at 27) that Judge Colloton made the same observation in his dissenting opinion, but that plainly is wrong. *See generally* Pet. App. 14a-20a.

confusion in infringement actions must focus on the marketplace use of the marks at issue—regardless of how they formulate their multi-factor likelihood of confusion tests. Pet. App. 10a. And, it was consideration of marketplace use—not the specific factorial standard applied—that the Eighth Circuit deemed pivotal in determining the preclusive effect of the TTAB's likelihood of confusion finding. Pet. App. 9a-11a. There accordingly is no reason to assume the Eighth Circuit's decision would deny preclusive effect to a *court's* likelihood of confusion finding in a future case.[10]

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[10] B&B also contends that because the "TTAB is the expert tribunal" when it comes to trademark law, "rejecting administrative decisions based on a difference in approach is even less legitimate than rejecting judicial decisions would be." Pet. 27. B&B's premise, however, ignores that the TTAB's likelihood of confusion analysis, which looks only at "the registrability of the applicant's mark exactly as shown in the application and only as to the goods listed, regardless of actual usage" (*Jim Beam Brands*, 937 F.2d at 734 (citation omitted)), requires "no specialized knowledge" or "technical expertise" (Jonathan S. Digby, Notes, *What's The Deference?: Should Dickinson v. Zurko Apply In The Trademark Context*, 15 J. INTELL. PROP. L. 173, 174, 183 (2007)), thus weakening any compulsion to treat the TTAB's findings as preclusive. *See also Everest Capital Ltd. v. Everest Funds Mgmt.*, 393 F.3d 755, 760 (8th Cir. 2005) (reasoning that likelihood of confusion "'is particularly amenable to resolution by a jury .... which represents a cross-section of consumers [and] is well-suited to evaluating whether an 'ordinary consumer' would likely be confused'") (quoting *Anheuser-Busch, Inc. v. L. & L. Wings, Inc.*, 962 F.2d 316, 318 (4th Cir. 1992)).

III. This Case Is A Poor Vehicle To Address The Issues B&B Presents.

Not only is there no cognizable circuit split, this case is a poor vehicle for the Court to review the abstract preclusion issues raised in the petition.

First, the Eighth Circuit's finding that the likelihood of confusion issues before it and the TTAB are different is fact-bound and case-specific—it focuses on the particulars of the TTAB's decision, the evidence presented before the TTAB and the district court, and the multi-factor tests applied by the two bodies under controlling Federal and Eighth Circuit precedent, respectively.

Second, the Eighth Circuit's refusal to defer to the TTAB's finding—also fact-bound and case-specific—at most conflicts indirectly with a nearly forty-year-old Fifth Circuit decision that has never been followed by a circuit not bound by Fifth Circuit precedent. Such inchoate disagreement hardly rises to the level of importance this Court demands before it will expend its resources and grant *certiorari*. And, moreover, the outcome in this case would be the same even under the Fifth Circuit's rule. *See supra* at 26-27.

Third, the differences in the burdens of persuasion on B&B in the two proceedings provides an independent ground for affirmance. *See Thigpen v. Roberts*, 468 U.S. 27, 29-30 (1984) (declining to reach question on which *certiorari* was granted in light of alternative ground for affirmance). "[R]elitigation of the issue in a subsequent action between the parties is not precluded ... [where the party asserting preclusion] "has a significantly

heavier burden than he had in the first action." Restatement (Second) of Judgments § 28(4) (1982); *see also Cobb v. Pozzi*, 363 F.3d 89, 113 (2d Cir. 2004) ("a shift or change in the burden of proof can render the issues in two different proceedings non-identical, and thereby make collateral estoppel inappropriate") (citations omitted); *Guenther v. Holmgreen*, 738 F.2d 879, 888 (7th Cir. 1984) ("It is, of course, well established that issue preclusion may be defeated by shifts in the burden of persuasion or by changes in the degree of persuasion required.") (citation omitted).

The Eighth Circuit properly determined that issue preclusion did not apply because, while the TTAB resolved all doubts in B&B's favor and against Hargis, no such principle applied in B&B's favor in the district court. *See* Pet. App. 10a-11a; Pet. App. 71a (TTAB applying principle here); *Bridgestone Americas Tire Operations, LLC v. Federal Corp.*, 673 F.3d 1330, 1333 (Fed. Cir. 2012) (stating principle). Thus, litigation of likelihood of confusion in the district court, free of preclusion, was in accord with basic principles of fairness and justice.[11] *See Cobb*,

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[11] B&B, citing Judge Colloton's dissent, disputes the applicability of this rule because, it speculates, the TTAB's reference to the presumption in favor of B&B "made no difference in this case." Pet. 31. But there is no way to determine whether this was true—the presumption in B&B's favor may very well have influenced the TTAB's ruling. And, with the exception of the Eighth Circuit decision Judge Colloton cited (*Lane v. Sullivan*, 900 F.2d 1247 (8th Cir. 1990))—an outlier based on a strained reading of a comment to Section 28 of the Restatement (Second) of Judgments (*id.* at 1252 (acknowledging that exception it found to Restatement

Continued on following page

363 F.3d at 115 (issues not identical where plaintiffs were given a "presumption of innocence" in the first proceeding, but "were entitled to no such presumption" in the second).

These reasons, taken together with the complex factual and procedural history of this fifteen-year-old dispute and the jury's finding of B&B's deceitful behavior, leave no basis for extending this litigation any further and consuming any more judicial resources—especially this Court's. This action ran its long course to a just conclusion.

Continued from previous page

rule was "not suggested" in the Restatement comment))—courts have applied the Restatement rule straightforwardly, refusing to try to "reconstruct[]" how the adjudicator in the first proceeding would have resolved the issue "on the basis of a new and different burden...." Restatement (Second) of Judgments § 28 cmt. f; *McHan v. CIR*, 558 F.3d 326, 331-32 (4th Cir. 2009).

CONCLUSION

B&B has not presented an issue worthy of this Court's discretionary review. The petition for a writ of *certiorari* should be denied.

Respectfully submitted.

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REPLY BRIEF

No. 13-352

IN THE

Supreme Court of the United States

B&B HARDWARE, INC.,

Petitioner,

v.

HARGIS INDUSTRIES, INC.,
D/B/A SEALTITE BUILDING FASTENERS,
D/B/A EAST TEXAS FASTENERS, ET AL.,

Respondents.

On Petition for a Writ of Certiorari
to the United States Court of Appeals
for the Eighth Circuit

REPLY BRIEF FOR PETITIONER

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RULE 29.6 STATEMENT

The Rule 29.6 statement included in the petition for a writ of certiorari remains accurate.

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REPLY BRIEF FOR PETITIONER

The Eighth Circuit refused to apply issue preclusion for a simple reason: it thought that "likelihood of confusion" in the TTAB was a different issue from "likelihood of confusion" in infringement proceedings. It essentially regarded the TTAB decision as applying a different Lanham Act, because the TTAB weighed the likelihood-of-confusion factors differently than the Eighth Circuit would. That conclusion is unsustainable.

Respondent does not meaningfully defend the Eighth Circuit's reasoning. Instead, respondent offers three rationales in support of the judgment. First, respondent suggests that "likelihood of confusion" before the TTAB is *never* the same issue as "likelihood of confusion" before a district court, because the nature of the proceedings is so different. *E.g.*, Opp. 2, 5-6, 22, 28. If that were correct, the federal courts would never apply issue preclusion between TTAB and district court proceedings. Yet the Federal, Third, and Seventh Circuits have done just that. The McCarthy treatise that respondent cites (Opp. 5, 22) makes absolutely plain that "collateral estoppel is appropriate" based on a TTAB decision. 6 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 32-101, at 32-247 (4th ed. Supp. 2013). No court has held that the issues are *per se* too different to justify preclusion.

Second, respondent contends that even if the issues before the TTAB and a district court *sometimes* are the same, they were not the same *in this case* because, respondent says, the TTAB did not take into

account the "marketplace context." But both the panel majority and dissenting Judge Colloton stated just the opposite—that the TTAB *did*, in fact, consider the marketplace context. The majority rejected preclusion nonetheless. The Seventh Circuit, too, has squarely rejected an argument that the TTAB's analysis was too narrow in scope to allow preclusion.

Third, respondent argues that a more flexible form of preclusion applies to agency decisions. That brand-new argument does not help respondent here: respondent's cases pertain only to whether an agency may choose not to treat *its own decision* as preclusive *in future agency proceedings*. Here, the TTAB plainly would treat its own finding as preclusive. No principle of administrative flexibility allows a court to refuse to do the same. Notably, respondent does *not* renew the argument that it unsuccessfully made below (and that two other courts of appeals have erroneously accepted), *i.e.*, that TTAB decisions are not preclusive, *period*, because an agency is not a court.

Even the two circuits that reject preclusion have, for many years, required deference to TTAB findings. Here, far from according any deference, the district court instructed the jury that the TTAB proceedings were irrelevant. That mistake infected the outcome of the trial—a trial that issue preclusion should already have barred.

I. Respondent Ignores The Federal Circuit's Rule: The TTAB And District Courts Bind Each Other When They Address The Same Issue

Issue preclusion is not a one-way street. If "likelihood of confusion" means the same thing before the

TTAB and a district court, then issue preclusion applies when *either one* of those tribunals has decided the issue. Preclusion can work in either direction, if the issue is the same, or neither, if the issue is different.

The decision below creates a circuit conflict that disrupts that symmetry. As the petition explains (at 14-17), the TTAB often concludes that it faces the same "likelihood of confusion" issue that a district court has already decided, so it applies issue preclusion. That obviously conflicts with the Eighth Circuit's holding that the TTAB actually does *not* decide the same "likelihood of confusion" issue, Pet. App. 7a, 8a—not even when the TTAB examines evidence of marketplace context, as the Eighth Circuit acknowledged the TTAB did in this case. *See id.* at 9a, 10a.

Respondent does not meaningfully respond to this point. It does not discuss the 40 years of decisions by the Federal Circuit, its predecessor court, and the TTAB concluding that the same "likelihood of confusion" issues were presented to a court and to the TTAB. *See* Pet. 14-16. Respondent does not even *cite* either the most relevant Federal Circuit authority, *Mother's Restaurant Inc. v. Mama's Pizza, Inc.*, 723 F.2d 1566 (Fed. Cir. 1983), and *Midland Cooperatives, Inc. v. Midland Int'l Corp.*, 421 F.2d 754 (C.C.P.A. 1970), or the TTAB's precedent.

Instead, respondent merely states: "For every decision that finds a likelihood of confusion finding preclusive, there is a case that finds a likelihood of confusion finding not preclusive." Opp. 21 (citation omitted). If the caselaw were as haphazard as respondent suggests, it would make the case for certiorari *stronger*, not weaker. But respondent is simply

incorrect. Of the two Federal Circuit decisions that respondent does repeatedly cite (Opp. 1, 2, 3, 6, 22), one directly supports B&B's position, and the second is irrelevant.

As B&B has explained (Pet. 16), in the first case respondent cites, the Federal Circuit rejected *claim* preclusion but remanded for the TTAB to consider *issue* preclusion, precisely because a judicial finding of likelihood of confusion "will allow issue preclusion to operate, if the issues are indeed identical." *Jet, Inc. v. Sewage Aeration Sys.*, 223 F.3d 1360, 1365-66 (Fed. Cir. 2000).[1]

The other decision had nothing to do with "differences" between TTAB and district court proceedings, as respondent would have it (Opp. 5-6). Rather, issue preclusion did not apply because the *facts had changed* since the earlier decision. *Mayer/Berkshire Corp. v. Berkshire Fashions, Inc.*, 424 F.3d 1229, 1233, 1234 (Fed. Cir. 2005) (referring to "significantly" and "materially changed marketing practices . . . after the district court's judgment"). Here respondent has never identified any such change.

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[1] Respondent's misreading of *Jet* is consistent with its wrongheaded emphasis on differences between TTAB and district-court proceedings. Unlike claim preclusion, *issue* preclusion can apply even when the causes of action are quite different. *See, e.g., Allen v. McCurry*, 449 U.S. 90 (1980) (state criminal prosecution and federal Section 1983 action); *Kremer v. Chem. Constr. Corp.*, 456 U.S. 461, 479-80 (1982) (state administrative proceeding and federal Title VII action). What matters is that the same underlying issue is crucial to both causes of action. *See, e.g., Mother's Restaurant*, 723 F.2d at 1569 (state court's finding on "likelihood of confusion" under state law was issue-preclusive in TTAB proceedings).

The direct conflict between the Federal Circuit and the Eighth Circuit on this basic issue—do the two tribunals decide the same question, or different questions?—warrants this Court's review. By failing even to *address* the key appellate precedents governing preclusion before the TTAB, respondent has effectively conceded the basis for certiorari.

II. Respondent Fails To Explain Away The Conflict Among The Regional Courts Of Appeals

This case would present a circuit conflict even notwithstanding the Federal Circuit. Respondent contends that the decision below is consistent with the Second Circuit's approach, but the reason respondent gives is squarely refuted by the panel majority itself. Two other regional circuits have applied preclusion on facts like these. And two more hold that the TTAB's decisions can *never* be preclusive. Respondent does not defend the latter courts' reasoning or dispute that their outlier position exacerbates the circuit split.

The Eighth Circuit acknowledged, twice, that the TTAB *did* consider the marketplace context. Pet. App. 9a, 10a. Judge Colloton agreed. *Id.* at 18a (dissenting opinion). Yet the Eighth Circuit denied preclusion even though that consideration is enough to *trigger* preclusion under the Second Circuit's approach: "[W]here the [TTAB] has indeed compared conflicting marks in their *entire marketplace context*, the factual basis for the likelihood of confusion issue is the same, the issues are the same, and collateral estoppel is appropriate." *Levy v. Kosher Overseers Ass'n of Am.*, 104 F.3d 38, 42 (2d Cir. 1997) (quoting

the McCarthy treatise). Examining the "entire marketplace context" means doing more than "rely[ing] solely on a visual examination of the two marks." *Id.*; *see* Pet. 21-22 (citing cases). The TTAB did far more than that here. Pet. App. 57a-70a.

The Seventh Circuit held that a similar examination by the TTAB was enough to justify preclusion, and it expressly rejected the notion that the TTAB's examination "was unduly limited." *EZ Loader Boat Trailers, Inc. v. Cox Trailers, Inc.*, 746 F.2d 375, 378-79 (7th Cir. 1984). When the TTAB examines "the channels through which the products were marketed," and other relevant evidence of marketplace context, it decides the same issue as the district court and precludes future relitigation, the Seventh Circuit concluded. *Id.* at 379. The Third Circuit, too, has treated a TTAB decision as preclusive based on an even more modest examination of the market. *See Jean Alexander Cosmetics, Inc. v. L'Oreal USA, Inc.*, 458 F.3d 244, 247 (3d Cir. 2006).[2]

The decision below, by contrast, denied preclusion not because the TTAB failed to consider the marketplace-related factors, but because it *found them outweighed* by other factors. Pet. App. 10a (disagreeing with the TTAB's "greater emphasis" on other factors). That mode of analysis, as Judge Colloton recognized, "is tantamount to holding that a finding of

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[2] Respondent attempts (Opp. 23) to dismiss the Third and Seventh Circuit decisions as turning on other aspects of preclusion. But both decisions scrutinized exactly what the TTAB examined and decided. *See Jean Alexander*, 458 F.3d at 254 (examining what was "actually litigated"); *EZ Loader*, 746 F.2d at 378-79. They certainly refute any notion that the two tribunals necessarily decide different issues.

the [TTAB] on likelihood of confusion will never be preclusive in an infringement action." *Id.* at 18a. Indeed, the TTAB will *regularly* exhibit "modest differences in analytical approach" (*id.* at 17a) from the Eighth Circuit. *See* Barton Beebe, *An Empirical Study of the Multifactor Tests for Trademark Infringement*, 94 Calif. L. Rev. 1581, 1599 tbl.1 (2006) (displaying variations in likelihood-of-confusion tests). Thus, if this Court does not intervene, the Eighth Circuit will continue to treat the TTAB as effectively applying a different Lanham Act.

III. "Flexibility" Does Not Justify Denying Preclusion

The TTAB's status as an administrative tribunal does not make its decisions any less binding on the parties. Pet. 32-34. The court of appeals did not accept respondent's argument that TTAB decisions cannot ever be preclusive, *see* Pet. App. 7a, and respondent no longer advances that contention. *Compare* Opp. 29-30 *with* Pet. App. 28a *and* Resp. C.A. Br. 12-13.

Instead, respondent adopts a brand-new mantra: that preclusion requires extra "flexibility" in the administrative context. Opp. 24-25, 29, 30, 31. But every case respondent cites involves an *agency* stating that its own decision was not preclusive *in subsequent agency proceedings*. But the TTAB unquestionably *would* treat its own decision as issue-preclusive. *See, e.g.*, *Jean Alexander*, 458 F.3d at 247 (TTAB held that its likelihood-of-confusion finding in a cancellation proceeding could not be relitigated in a subsequent opposition proceeding).

None of respondent's cases even remotely suggests that the *courts* may ignore an administrative tribunal's decision where the tribunal itself would treat its decision as binding. The principle of finality "holds true when a court has resolved an issue, and should do so equally when the issue has been decided by an administrative agency . . . which acts in a judicial capacity." *Astoria Fed. Sav. & Loan Ass'n v. Solimino*, 501 U.S. 104, 108 (1991).[3]

IV. The Failure To Defer To The TTAB's Findings Is Independently Certworthy

Below, B&B argued in the alternative that the TTAB's decision was entitled to a strong form of deference—that respondent could prevail only if the factfinder concluded with "thorough conviction" that the TTAB had erred. B&B C.A. Br. 25; *see id.* at 23-28. As respondent admits (Opp. 26, 33), the Fifth and Eleventh Circuits have adopted that "thorough conviction" standard, by analogizing to the context in which a district court reviews a TTAB decision directly, pursuant to 15 U.S.C. § 1071(b). *See* Pet. 23-24. In this case, by contrast, the Eighth Circuit rejected that form of deference *solely because* this case does not involve direct review of a TTAB decision. *See* Pet. App. 12a ("Here, no one is contesting the TTAB's decision to deny [respondent's] registration of its mark under section 1071(b).").

Respondent attempts to brush off the resulting circuit conflict as limited to the "context" of this case,

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[3] Respondent's assertion that the TTAB can render advisory opinions (Opp. 30-31) is a pure straw-man: the TTAB proceedings here involved adverse parties, and preclusion doctrine already addresses cases where an issue is not actually litigated.

and to suggest that perhaps the Eighth Circuit might someday "entertain a deference argument in this [same] setting." Opp. 26. But the Eighth Circuit spoke plainly: this proceeding does not involve a direct appeal of a TTAB ruling, so no deference was due. Pet. App. 12a. The two other circuits, by contrast, see the two tasks—reviewing a TTAB decision on direct appeal and in subsequent infringement proceedings—as analogous. That is why they give deference in precisely this context.

Respondent falls back on the assertion that it would have prevailed even if the jury had applied the "thorough conviction" standard. Opp. 26-27. That contention fails. The jury was never instructed on that standard, which would have required respondent to rebut the TTAB's conclusion instead of requiring B&B to prove likelihood of confusion afresh. To the contrary, the district court instructed the jury that "what you are having to decide does not have *anything to do with* all that litigation [before the TTAB] that went really kind of back and forth." Trial Tr. ("Tr.") 265 (emphasis added); *see* Tr. 1393. And the district court told counsel not "to say [to the jury] that the TTAB found likelihood of confusion." Tr. 1227. Respondent's statement that the court "instructed the jury on the TTAB proceedings," Opp. 10, obscures what those instructions actually said. In light of those instructions, the verdict gives *no* indication that respondent could prevail under a "thorough conviction" standard.

The Eighth Circuit never suggested that deference would not affect the verdict. Indeed, a "misplacement of the burden of persuasion" is just the sort of error that is regularly held prejudicial standing

alone. 9C Charles Alan Wright et al., *Federal Practice & Procedure* § 2558, at 156-62 (3d ed. 2008); *see, e.g.*, *Todd v. Ortho Biotech, Inc.*, 175 F.3d 595, 598-99 (8th Cir. 1999) (ordering retrial where jury was never instructed on a key defense and "the present record does not reveal whether a reasonable jury could have found for [the defendant] on [that] defense").

A reasonable jury, applying deference, would easily have found for B&B. The record shows (among other things) that respondent had used an Internet domain name containing B&B's mark (www.sealtight.biz) to redirect traffic to its own website, Tr. 789-90, and that respondent had received inquiries from customers looking for B&B's products. Tr. 791-96. Respondent misleadingly asserts (Opp. 13) that there was no first-hand testimony *from customers*, but B&B amply proved the point through first-hand testimony from *respondent's own general manager*, who had dealt personally with a confused customer, as well as through respondent's business records. Tr. 780, 793, 796.

If this Court were to reverse, respondent could renew its harmless-error argument on remand. *See, e.g.*, *Staub v. Proctor Hosp.*, 131 S. Ct. 1186, 1194 (2011); *Meacham v. Knolls Atomic Power Lab.*, 554 U.S. 84, 102 (2008) (remanding question whether misapplication of burden of persuasion was harmless). But that bare possibility is no reason to deny review of a cert-worthy and entrenched circuit conflict.

V. Respondent Does Not Dispute The Error In The Eighth Circuit's Burden-Shifting Rationale

As for the Eighth Circuit's supposed alternative holding, respondent does not defend it. The Eighth Circuit misunderstood TTAB procedure in suggesting that the TTAB had decided merely that *respondent* had "[f]ail[ed] to carry the burden of persuasion." Pet. App. 10a (citation omitted; first brackets in original). In fact, *B&B* bore the burden of persuasion before the TTAB just as it did in district court. Pet. 30-31.

Respondent silently concedes that point. *See* Opp. 33-35.[4] The Eighth Circuit's supposed alternative ground for decision is thus no longer in the case.

Instead, respondent attempts to advance a *different* alternative ground, suggesting that B&B cannot benefit from preclusion if it had "a *significantly* heavier burden" in district court than before the TTAB. Opp. 33-34 (quoting *Restatement (Second) of Judgments* § 28(4) (1982)) (emphasis added). But even as respondent portrays it, B&B's burden was not *significantly* different (on the order of the difference between clear-and-convincing and a preponderance). The difference between a tie and a preponderance is, literally, as close to zero as is mathematically possible. Respondent cites no case treating that difference as "significant." And if respondent were right,

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[4] Indeed, in quoting the Restatement, respondent delicately omits any reference to situations "where the burden has shifted." *Compare Restatement (Second) of Judgments* § 28(4) (1982) *with* Opp. 33-34.

Jean Alexander would have come out the opposite way. *See* Pet. 31.

In any event, the TTAB's recitation of its doubts-favor-the-opposer rule had no impact here. *Id.* The TTAB includes that boilerplate language in dozens of likelihood-of-confusion decisions every year;[5] that does not signal that every one of those proceedings ended in equipoise. B&B proved its case by a preponderance of evidence.

* * * * *

After one full and fair round of litigation, a specialized tribunal found that consumers would likely confuse "Sealtite" fasteners with "Sealtight" fasteners. Respondent could have appealed that determination, but did not. Instead respondent managed to obtain exactly what numerous other circuits would have denied it: a do-over before a lay jury. Remarkably, it even managed to impose a six-figure *penalty* on B&B for bringing a case B&B had already won. *See* Pet. 8. This Court should grant review to make clear that the Eighth Circuit was wrong, and the TTAB and the Federal, Second, Third, and Seventh Circuits have it right: once *either* a district court or the TTAB finds likelihood of confusion after considering the marketplace context, preclusion prevents the losing litigant from relitigating that same issue in another forum.

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[5] A search for the word "doubt" in TTAB opposition and cancellation decisions amply demonstrates that point. *See generally* http://e-foia.uspto.gov/Foia/TTABReadingRoom.jsp.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted.

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December 5, 2013

AMICUS CURIAE BRIEF

No. 13-352

In the Supreme Court of the United States

B&B HARDWARE, INC., PETITIONER

v.

HARGIS INDUSTRIES, INC., D/B/A SEALTITE BUILDING FASTENERS, D/B/A EAST TEXAS FASTENERS, ET AL.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE EIGHTH CIRCUIT

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QUESTIONS PRESENTED

The United States Patent and Trademark Office's Trademark Trial and Appeal Board determined that respondent was not entitled to register the trademark SEALTITE because respondent's use of that mark was likely to cause confusion with petitioner's previously registered mark SEALTIGHT. Petitioner brought a trademark-infringement action against respondent in federal district court, alleging that respondent's use of its SEALTITE mark was likely to cause confusion with petitioner's mark. The questions presented are as follows:

1. Whether the district court in the infringement action should have given preclusive effect to the Board's likelihood-of-confusion determination.

2. Whether, in the alternative, the district court should have given some measure of deference to the Board's likelihood-of-confusion determination.

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In the Supreme Court of the United States

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ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE EIGHTH CIRCUIT

BRIEF FOR THE UNITED STATES AS AMICUS CURIAE

This brief is filed in response to the Court's order inviting the Solicitor General to express the views of the United States. In the view of the United States, the petition for a writ of certiorari should be granted.

STATEMENT

1. In the Trademark Act of 1946 (Lanham Act), 15 U.S.C. 1051 *et seq.*, Congress created a comprehensive national registration system for trademarks and established a federal administrative and judicial framework for protecting trademarks against infringement, dilution, and unfair competition. This case concerns the interaction between two adjudicative provisions of that statutory scheme: the registration provisions, which are administered by the United States Patent and Trademark Office (PTO), and the infringement

provisions, which are enforced by civil actions in federal district courts.

a. The "owner of a trademark used in commerce" may apply to the PTO to register the mark on the PTO's "principal register." 15 U.S.C. 1051(a)(1); 35 U.S.C. 2(a)(1). Such an application must include a drawing of the mark for which registration is sought and a description of the goods or services in connection with which the applicant uses the mark. 15 U.S.C. 1051(a)(2); 37 C.F.R. 2.32(a)(6) and (c). Registration, if approved by the PTO, operates as "prima facie evidence * * * of the [registrant's] exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the [registration] certificate, subject to any conditions or limitations stated in the certificate." 15 U.S.C. 1057(b). Registration thus confers specific legal benefits, and the scope of many of those benefits depends on the scope of the registration approved by the PTO. See, *e.g.*, 15 U.S.C. 1072, 1114, 1115; *Stone Lion Capital Partners, L.P.* v. *Lion Capital LLP*, No. 2013-1353, 2014 WL 1229530, at *6 (Fed. Cir. 2014). Even those trademark owners who have not registered their marks with the PTO, however, may enforce certain rights under the common law in marks that they have used in commerce. See *Dorpan, S.L.* v. *Hotel Meliá, Inc.*, 728 F.3d 55, 61-62 (1st Cir. 2013).

In determining whether to register a mark, the PTO evaluates whether the mark set forth in the application for registration "so resembles" an existing mark "as to be likely, when used on or in connection with the goods of the applicant, to cause confusion, or to cause mistake, or to deceive." 15 U.S.C. 1052(d). If it appears to a PTO examiner that the applicant is en-

titled to registration, the mark is published in the Official Gazette of the PTO. 15 U.S.C. 1062(a). "Any person who believes that he would be damaged by the registration of [that] mark" may then "file an opposition in the [PTO]" within a specified time period. 15 U.S.C. 1063(a). If registration is not successfully opposed, a certificate of registration issues. 15 U.S.C. 1063(b)(1).

"Opposition proceedings" take place before the PTO's Trademark Trial and Appeal Board (Board). 15 U.S.C. 1067(a); 37 C.F.R. 2.101(b). Those proceedings generally are "similar to a civil action in a federal district court," with the "principal difference [being] that proceedings before the Board are conducted in writing, and the Board's actions in a particular case are based upon the written record." United States PTO, *Trademark Trial and Appeal Board Manual of Procedure* § 102.03 (3d ed. Rev. 2 June 2013). A frequent ground for opposing a registration is that the proposed mark, if registered, would be likely to cause confusion with the opposing party's own previously used or registered mark. The party opposing registration—the "opposer"—bears the burden of proof on that issue. See, *e.g.*, *Yamaha Int'l Corp.* v. *Hoshino Gakki Co.*, 840 F.2d 1572, 1579-1580 (Fed. Cir. 1988). Any party who is dissatisfied with the Board's ultimate decision may seek judicial review by filing an appeal in the United States Court of Appeals for the Federal Circuit or by initiating a civil action in a federal district court. 15 U.S.C. 1071.

As particularly relevant here, the Board does not adjudicate an opposition proceeding based on the relevant marks considered in a vacuum. Rather, the Board considers evidence of how the marks are used

in the marketplace, including the products on which the marks appear and the members of the public to whom the marks are directed. In evaluating whether a likelihood of confusion exists between the two marks, the Board uses a 13-factor test set out in *In re E.I. DuPont DeNemours & Co.*, 476 F.2d 1357, 1361 (C.C.P.A. 1973). Among the factors considered are the similarity or dissimilarity of the marks, goods, and trade channels; the "conditions under which and buyers to whom sales are made"; the "fame of the prior mark (sales, advertising, length of use)"; and the "nature and extent of any actual confusion." *Ibid.*

When the opposition is based exclusively on a mark previously registered with the PTO, the Board typically reviews only the scope of marketplace usage encompassed by the asserted registration and the opposed application. The Board does not attempt to determine how the actual usage of the marks in the real world might vary from what is disclosed in those documents. See, *e.g.*, *M2 Software, Inc.* v. *M2 Communications, Inc.*, 450 F.3d 1378, 1382-1383 (Fed. Cir.), cert. denied, 549 U.S. 1096 (2006). An opposer, however, will often assert common-law rights in certain usages of a mark as well (*i.e.*, usages beyond what is covered by the opposer's prior registration). Unlike with registered marks, when common-law rights are asserted in marks, the Board must base its decision on "the manner in which [the] opposer *actually uses* those marks on or in connection with its actual goods and services." *Pepsico, Inc.* v. *Jay Pirincci*, Opposition No. 91187023, 2014 WL 1679144, at *9 n.15 (Trademark Trial & Appeal Bd. Apr. 14, 2014) (non-precedential) (emphasis added); see *Giersch* v. *Scripps Networks Inc.*, 90 U.S.P.Q.D.2d (BNA) 1020,

1023 (Trademark Trial & Appeal Bd. 2009) (explaining that party challenging a registration who relies on common-law rights "must show that he made common-law use of his * * * mark in connection with his alleged services").

b. The owner of a registered mark may bring a civil action for infringement in federal district court against any person who, without consent, "use[s] in commerce any reproduction * * * or colorable imitation of a registered mark in connection with the sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive." 15 U.S.C. 1114(1)(a). A similar cause of action exists for infringement of unregistered marks. See 15 U.S.C. 1125(a)(1)(A). In an action for trademark infringement, the plaintiff bears the burden of proving that the defendant's mark is likely to cause confusion. See, *e.g.*, *KP Permanent Make-Up, Inc.* v. *Lasting Impression I, Inc.*, 543 U.S. 111, 118, 124 (2004).

2. Petitioner obtained a registration from the PTO for the trademark "SEALTIGHT" for "threaded or unthreaded metal fasteners and other related hardware; namely, self-sealing nuts, bolts, screws, rivets and washers, all having a captive o-ring for use in the aerospace industry." Pet. App. 42a. Some years later, respondent applied to the PTO to register the mark "SEALTITE" for "self-piercing and self[-]drilling metal screws for use in the manufacture of metal and post-frame buildings." *Ibid.* After respondent's mark was published in the PTO's Official Gazette, petitioner initiated an opposition proceeding before the Board. *Ibid.*

In adjudicating the opposition, the Board concluded (for reasons not relevant here) that the basis of petitioner's likelihood-of-confusion claim would be limited to rights inherent in petitioner's registered trademark and the products identified in the registration, not any common-law rights derived from use of the mark for a broader description of products. See Pet. App. 53a-55a. The Board then considered evidence of marketplace usage of the marks presented by the parties. See *id.* at 43a-44a, 46a-47a, 55a-70a. It ultimately sustained the opposition and therefore refused to register respondent's mark. See *id.* at 71a.

In reaching that conclusion, the Board applied the multifactor *E.I. DuPont* likelihood-of-confusion test, finding that six factors were relevant on the facts of this case. Pet. App. 55a. The Board determined that petitioner's mark was not famous and that its products moved in different channels of trade than did respondent's products. *Id.* at 55a-56a, 62a-64a. The Board nevertheless found a likelihood of confusion, emphasizing that the "marks are substantially identical and they are used on closely related products." *Id.* at 70a; see *id.* at 56a-62a. Respondent did not seek judicial review of the Board's decision.[1]

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[1] During proceedings before the Board, petitioner asserted that it sells a "full range of fasteners" without certain limitations described in its registration. Pet. App. 46a. Although the Board deemed that broader usage to have been tried by consent of the parties, see *ibid.*, it ultimately limited its consideration to the usage disclosed in petitioner's registration on the ground that petitioner was precluded from litigating its common-law rights, see *id.* at 53a-55a; pp. 4-5, *supra*. Later in its opinion, however, the Board appeared to consider usages beyond what was disclosed in petitioner's registration. See Pet. App. 67a-71a.

3. While the Board proceedings were pending, petitioner brought a trademark-infringement action against respondent in the United States District Court for the Eastern District of Arkansas. See 569 F.3d 383, 386; 4:06-01654 Docket entry No. 2, at 8-10 (Dec. 7, 2006). Petitioner's action was initially dismissed by the district court as barred by issue preclusion in light of an earlier infringement suit between the parties, but the court of appeals reversed that holding. See 569 F.3d at 386, 390.

On remand, petitioner filed the operative complaint, which alleged that respondent's use of SEALTITE in connection with its fastener products infringed petitioner's use of SEALTIGHT in connection with its fastener products and related hardware. See 4:06-cv-1654 Docket entry No. 114, at 2, 4, 7-13 (E.D. Ark. May 17, 2010). The district court rejected petitioner's arguments that it should accord the Board's prior likelihood-of-confusion determination preclusive effect or, in the alternative, some measure of deference. Pet. App. 27a-28a. The case was then tried to a jury, which found that respondent's mark was not likely to cause confusion and therefore returned a verdict against petitioner. *Id.* at 21a-22a; 4:06-cv-1654 Docket entry No. 201, at 1-2. The district court rejected petitioner's request for a new trial on preclusion grounds, holding that Board decisions cannot give rise to issue preclusion in a judicial proceeding because the Board is not an Article III court. Pet. App. 27a-28a.

4. A divided panel of the court of appeals affirmed the district court's holding that the Board's likelihood-of-confusion determination was not entitled to preclu-

sive effect or any measure of deference. Pet. App. 4a-13a.

a. The panel majority assumed without deciding that Board decisions may be given preclusive effect in judicial proceedings. See Pet. App. 7a. The court held, however, that preclusion was "not appropriate here because * * * the same likelihood-of-confusion issues were not decided by the [Board] as those brought in the action before the district court." *Ibid.*

In so concluding, the court of appeals found it significant that, "[i]n reaching its determination, the [Board] used only 6 of the 13 factors from [*E.I. Dupont*]," whereas courts in the Eighth Circuit "apply the six-factor test from *SquirtCo* [v. *Seven-Up Co.*, 628 F.2d 1086 (8th Cir. 1990)]." Pet. App. 8a-9a. The court stated that, "[a]lthough some of the *E.I. DuPont* factors are the same or comparable to the *SquirtCo* factors, for collateral estoppel to apply, the [Board] must have examined the 'entire marketplace context' as is done in trademark infringement actions" in court. *Id.* at 9a-10a (internal quotation marks and citation omitted). The court acknowledged that in this case "[t]he [Board] found that the evidence of marketplace context—that the types of fasteners are different and marketed to vastly different industries and customers—weighed against a finding of likelihood of confusion." *Id.* at 10a. But because the Board in rendering its decision had "placed greater emphasis on the appearance and sound when spoken of the two marks" than on the marketplace context, the court of appeals held that, for issue-preclusion purposes, the Board had decided a likelihood-of-confusion question that was different from the one presented in the infringement suit. *Ibid.* The court also attached signifi-

cance to its belief that respondent bore the burden of persuasion before the Board, whereas petitioner bore the burden of persuasion in the infringement action. *Id.* at 10a-11a.

Having concluded that the Board's likelihood-of-confusion determination was not entitled to preclusive effect, the court of appeals further held that the Board's determination was not otherwise entitled to any measure of deference in the infringement action. See Pet. App. 11a-12a.

b. Judge Colloton dissented. He would have held that, because the Board had "previously decided the same question about the likelihood of confusion that was at issue in this case, [respondent] should not have been permitted to relitigate that point." Pet. App. 14a. In Judge Colloton's view, the fact "that the six factors considered by the [Board] in its analysis are not exactly the same as the six factors listed by [the Eighth Circuit] for assessing likelihood of confusion in *SquirtCo*" did not "justify dispensing with collateral estoppel, just as variations in analysis among the circuits about a legal issue does not mean that one circuit's decision lacks preclusive effect in another." *Id.* at 17a. He further argued that the majority's approach was "tantamount to holding that a finding of the [Board] on likelihood of confusion will never be preclusive in an infringement action." *Id.* at 18a. With respect to the burden of persuasion, Judge Colloton interpreted the Board's opinion to have indicated that the burden of persuasion was immaterial to its analysis of the likelihood-of-confusion issue. See *id.* at 19a-20a.

DISCUSSION

The court of appeals erred in its approach to deciding whether a Board likelihood-of-confusion determination precludes relitigation of the same issue in a subsequent infringement action. Although the court correctly declined to hold that Board likelihood-of-confusion determinations are never entitled to preclusive effect, its grounds for denying preclusion here—that the Board employs a different multi-factored standard than does the Eighth Circuit, that the Board did not give sufficient weight to marketplace context, and that respondent bore the burden of persuasion before the Board—were each legally insufficient and, if taken at face value, would effectively foreclose preclusion in every case. In the view of the United States, issue preclusion depends on whether the scope of usage considered by the Board materially differed from the actual usage presented in the infringement action. Under that standard, the Board's likelihood-of-confusion determination may be entitled to preclusive effect here.

This issue has not arisen with great frequency in reported judicial decisions, but the few courts of appeals to address it have employed different analytical approaches. Review by this Court would bring greater clarity and uniformity to the applicable law. The petition for a writ of certiorari therefore should be granted.

A. The Court of Appeals' Grounds For Denying Issue Preclusion Were Legally Insufficient

The court of appeals' legal analysis of the issue-preclusion question in this case is flawed.

1. a. In appropriate cases, Board determinations concerning the likelihood that two trademarks will

create confusion are entitled to preclusive effect in subsequent infringement actions. "Congress is understood to legislate against a background of common-law adjudicatory principles" when it authorizes federal agencies to resolve disputes. *Astoria Fed. Sav. & Loan Ass'n* v. *Solimino*, 501 U.S. 104, 108 (1991). Issue preclusion therefore is generally appropriate when "an administrative agency is acting in a judicial capacity and resolves disputed issues of fact properly before it which the parties have had an adequate opportunity to litigate." *Id.* at 107 (quoting *United States* v. *Utah Constr. & Mining Co.*, 384 U.S. 394, 422 (1966)).

The Board acts in a judicial capacity when it evaluates an opposition petition to a trademark registration, because it resolves a concrete dispute between two parties in an adversarial setting. See *EZ Loader Boat Trailers, Inc.* v. *Cox Trailers, Inc.*, 746 F.2d 375, 378 (7th Cir. 1984). The Board's likelihood-of-confusion determination therefore should be accorded preclusive effect in a subsequent infringement action when the generally-applicable requirements for issue preclusion are met.

b. Issue preclusion (traditionally called "collateral estoppel") "bars successive litigation of an issue of fact or law actually litigated and resolved" and "essential to the prior judgment." *Taylor* v. *Sturgell*, 553 U.S. 880, 892 (2008) (internal quotation marks and citation omitted). Thus, for issue preclusion to apply, the first tribunal must have decided the precise issue for which preclusion is sought in the second tribunal.

When the Board determines whether a particular mark is likely to be confused for an existing mark, the precise issue it decides will sometimes, but not always,

be the same as the issue to be decided in a subsequent infringement action. As petitioner explains (Pet. 26), the basic legal standard—whether consumers are likely to be confused about the source of the relevant goods or services—is the same in both a registration proceeding and an infringement action. Compare 15 U.S.C. 1052(d) (registration), with, *e.g.*, 15 U.S.C. 1114(1)(a) (infringement of registered marks).[2] But the factual contexts to which the Board and the courts apply that standard will sometimes differ.

When, as here, an opposition to an application is based solely on the opposer's ownership of a registered mark, see Pet. App. 55a, the Board typically analyzes the marks, goods, and channels of trade only as set forth in the application and in the opposer's registration, regardless of whether the actual usage of the marks by either party in the real world is broader or narrower. See, *e.g.*, *Stone Lion Capital Partners, L.P.* v. *Lion Capital LLP*, No. 2013-1353, 2014 WL 1229530, at *5-*7 (Fed. Cir. 2014); *Canadian Imperial*

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[2] Although the likelihood-of-confusion standard is set out in different statutory sections for registration and infringement proceedings, that does not prevent the application of issue preclusion. "[I]ssue preclusion may apply notwithstanding the fact that the later action is brought under a different statute." *Electrical Workers Local 58 Pension Trust Fund* v. *Gary's Elec. Serv. Co.*, 227 F.3d 646, 659 (6th Cir. 2000); see, *e.g.*, *University of Tenn.* v. *Elliott*, 478 U.S. 788, 790-791, 799 (1986) (holding that a state agency's determination under state law can have preclusive effect in later suit under 42 U.S.C. 1983). Here, the basic inquiry—whether consumers are likely to be confused as between the challenged mark and an existing mark—is the same under both sections. See *Wells Fargo & Co.* v. *Stagecoach Props., Inc.*, 685 F.2d 302, 306 (9th Cir. 1982); 4 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 23:78, at 23-368 (4th ed. 2014).

Bank of Commerce v. *Wells Fargo Bank, N.A.*, 811 F.2d 1490, 1492-1493 (Fed. Cir. 1987); see also 15 U.S.C. 1057(b) (stating certain presumptions accorded a registered mark "on or in connection with the goods or services specified in the certificate"). Infringement actions, by contrast, typically concern the parties' actual usage of marks in the marketplace, which may differ from the scope of usage disclosed in the application for registration and the opposer's prior registration. See 15 U.S.C. 1114(1)(a), 1125(a)(1)(A); see, *e.g.*, *KP Permanent Make-Up, Inc.* v. *Lasting Impression I, Inc.*, 543 U.S. 111, 117-118 (2004); *Mayer/Berkshire Corp.* v. *Berkshire Fashions, Inc.*, 424 F.3d 1229, 1232-1233 (Fed. Cir. 2005).

As a result of that distinction, issue preclusion often turns on whether the actual usage of the marks at issue in the infringement action differs materially from the usage of the marks set forth in the application for registration and in the opposer's prior registration submitted in the Board proceedings. When the usages adjudicated in the two proceedings are materially identical, or when the usages at issue in the infringement action represent a subset of the usages adjudicated in the Board proceeding, issue preclusion applies. But when the infringement action concerns usages not ruled upon by the Board, issue preclusion does not apply to those additional usages.

Thus, if the Board concludes in an opposition proceeding that no likelihood of confusion exists between two marks based on the particular goods set forth in the opposer's prior registration and the opposed application (and the stated or presumed channels of trade for those goods), that determination will be preclusive in a later infringement suit concerning the

same goods and channels of trade, or a subset of those goods and channels of trade. The Board's determination will not be preclusive, however, in a subsequent infringement action concerning goods or channels of trade that are materially different from those reflected in the application and registration. For example, if the Board finds that an applicant's use of a mark on watches is not likely to cause confusion with the opposer's use of a similar mark on shirts, that determination will bar the opposer's infringement action against the applicant for the use of its mark on watches, but not for the use of its mark on sweaters.

c. As discussed, opposition proceedings before the Board are not always based exclusively on an opposer's registered mark. They are sometimes based on the opposer's common-law rights in an unregistered mark. See 15 U.S.C. 1052(d) (providing generally that a trademark may not be registered if it "so resembles * * * a mark or trade name previously used in the United States by another and not abandoned, as to be likely, when used on or in connection with the goods of the applicant, to cause confusion"). In those cases, the Board does consider the actual usage of the opposer's marks to determine the scope of the opposer's common-law rights. See pp. 4-5, *supra*. If the Board renders a likelihood-of-confusion determination with respect to usage encompassed by such common-law rights, that determination will also be entitled to preclusive effect in a subsequent trademark-infringement action.

2. The court of appeals erred in failing to analyze the issue-preclusion question under the standard advanced here. Rather than determining whether the actual usage before the district court materially dif-

fered from the scope of usage considered by the Board, the court of appeals relied on three legally irrelevant factors.

First, the court of appeals observed that the Board, in analyzing likelihood-of-confusion issues, uses a multi-factor test different from the test that the Eighth Circuit has adopted. See Pet. App. 9a-10a. As Judge Colloton explained, however, the fact that different tribunals have adopted different formulations of a legal standard could not defeat issue preclusion. See *id.* at 17a-18a. If that were a sufficient basis for allowing relitigation of a contested legal issue, even a final judgment of a federal court of appeals in a trademark-infringement action would not be entitled to preclusive effect if a second infringement action were brought in another circuit that had adopted a different multi-factor standard. No accepted principle of issue preclusion supports that result.

Second, the court of appeals believed that the Board had not given sufficient weight to the marketplace context. See Pet. App. 10a. But if disagreement with another tribunal's legal or factual analysis was an appropriate ground for declining to give its prior decision preclusive effect, principles of issue preclusion would have little or no practical import. Preclusion doctrine would serve no useful purpose if the second tribunal was required to determine whether the first tribunal's analysis was correct in order to determine whether that analysis should be given preclusive effect. Rather, as Judge Colloton explained, the doctrine of issue preclusion "prevent[s] relitigation of wrong decisions just as much as right ones." *Id.* at 19a (quoting *Clark* v. *Clark*, 984 F.2d 272, 273 (8th Cir.), cert. denied, 510 U.S. 828 (1993)). Thus, when a

court considers the same usages previously considered by the Board, the Board's determination precludes relitigation of the likelihood-of-confusion question even if the court believes that the Board erred in its determination.

Third, the court of appeals stated that respondent bore the burden of persuasion in the Board proceeding. That is incorrect. As the party opposing registration, petitioner bore the burden of persuasion, just as it did in the district court. See *Yamaha Int'l Corp.* v. *Hoshino Gakki Co.*, 840 F.2d 1572, 1579-1580 (Fed. Cir. 1988); *Genesco Inc.* v. *Martz*, 66 U.S.P.Q.2d (BNA) 1260, 1267 (Trademark Trial & Appeal Bd. 2003). The Board did mention the principle that doubts must be resolved in favor of the senior user (here, petitioner). See Pet. App. 71a. But some courts have recited that principle in the infringement context as well, see, *e.g.*, *Dr. Seuss Enters., L.P.* v. *Penguin Books USA, Inc.*, 109 F.3d 1394, 1404 n.14 (9th Cir.), cert. dismissed, 521 U.S. 1146 (1997), and there is no reason to believe that it reflects a departure from the ordinary burden of persuasion that applies in Board proceedings.

The court of appeals thus applied erroneous legal standards in analyzing whether the Board had decided the same likelihood-of-confusion issue that was before the district court. The errors the court of appeals made, moreover, do not appear to depend on any facts specific to this case. It will be equally true in future cases, for example, that the Eighth Circuit's multifactor test for assessing likelihood of confusion is different from the test that the Board typically applies. The errors committed by the court below therefore are likely to affect the resolution of future infringe-

ment suits within the Eighth Circuit in which the preclusive effect of a Board decision becomes the subject of dispute.

3. Respondent did not argue in the court of appeals that the scope of usage considered by the Board differed materially from the usage at issue in the infringement action. Petitioner has asserted in this Court that there was "no such difference in scope between the [Board] and district court proceedings." Pet. 16 n.7. And there is some indication in the record that the usage did not materially differ. Compare, *e.g.*, Pet. App. 35a (district court discussion of differences in parties' goods), with *id.* at 57a-59a (Board discussion of same); compare also, *e.g.*, *id.* at 37a (district court discussion of differences in the parties' markets and pricing); with *id.* at 60a-67a (Board discussion of same).

It is possible, however, that usage differences not identified by respondent in its appellate briefing caused the likelihood-of-confusion issues in the two proceedings to be different. If this Court grants certiorari and ultimately adopts the standard proposed in this brief, it could remand for the court of appeals to determine in the first instance whether preclusion is appropriate under that standard (as well as to address any preservation question).

4. When a Board decision is not entitled to preclusive effect because the Board has resolved a question different from the issue that is disputed in subsequent infringement litigation, there is no sound reason to give the Board decision any measure of deference. See Pet. App. 11a-12a. Petitioner does not appear to defend the contrary position. See Pet. 25; Reply Br. 8-10. The deference question might be answered dif-

ferently when issue preclusion is inappropriate for another reason—for example, when an issue actually resolved by the Board was not necessary to its ultimate decision—but that situation is not presented here.

B. Although A Definitive Resolution Of The Questions Presented Is Not Imperative At This Time, This Court's Review Would Help To Clarify The Applicable Law

Because the question whether Board likelihood-of-confusion determinations should be accorded preclusive effect does not appear to arise frequently, this Court's review is not imperative at this time. The circuits that have considered the issue have adopted inconsistent approaches, however, and no circuit has adopted precisely the approach set forth above in the context of an infringement action. The Court's review therefore would help to clarify the law in this area.

1. The circuits that have addressed the issue have adopted different tests for determining the preclusive effect of a Board likelihood-of-confusion determination in subsequent infringement litigation.

a. The Federal Circuit has adopted the approach set forth above, but it has done so only in addressing the mirror-image question of when the *Board* must give preclusive effect in an opposition or cancellation proceeding to a *district court's* likelihood-of-confusion determination in a prior infringement action. The Federal Circuit has explained that issue preclusion is not warranted "where infringement litigation was followed by PTO proceedings involving a challenge to a registration of broader scope than the subject of the infringement case." *Levi Strauss & Co.* v. *Abercrombie & Fitch Trading Co.*, 719 F.3d 1367, 1373 (2013). Because the Federal Circuit derived that standard

from basic issue-preclusion principles, see *id.* at 1371-1373, its reasoning supports application of the same standard in deciding when Board determinations should be given preclusive effect in later infringement actions. The Federal Circuit has not had occasion to decide that issue, however, since it has jurisdiction to review Board determinations, see 15 U.S.C. 1071, but ordinarily not to decide appeals from district-court judgments in infringement suits.

b. The Second Circuit has adopted a standard that appears to be slightly different from the Federal Circuit's. The Second Circuit has correctly recognized that, in an opposition proceeding before the Board, the likelihood-of-confusion issue is often determined based on the scope of usage set out in the application and the opposer's prior registration "regardless of the reality of actual usage," while in an infringement action, the court examines actual usage. *Levy* v. *Kosher Overseers Ass'n of Am., Inc.*, 104 F.3d 38, 41-42 (1997) (citation and emphasis omitted). That court has held, however, that "[f]or a [Board] * * * determination of 'likelihood of confusion' to have collateral estoppel effect in a trademark infringement action, the [Board] * * * must have taken into account, in a meaningful way, the *context* of the marketplace." *Id.* at 42. That standard may be similar in practice to the standard articulated above, but it is insufficiently precise in that it purports to require scrutiny into how "meaningful" the Board's consideration of the marketplace context was. As discussed, the appropriate question is whether the infringement action encompasses usages that materially differ from the usages that the Board considered.

The Second Circuit's analysis in *Levy* could also be read to suggest that, if the Board fails to consider each of the eight factors that the Second Circuit has adopted, the Board's decision will not be entitled to preclusive effect. See 104 F.3d at 43 (cited in decision below at Pet. App. 10a). For the reasons discussed above, the preclusive effect of a prior Board decision does not turn on whether the Board applied precisely the same multi-factor test as does the particular circuit in which the preclusion issue arises.

c. The Fifth and Eleventh Circuits have held that Board decisions never have issue-preclusive effect in subsequent infringement actions. See *Freedom Sav. & Loan Ass'n* v. *Way*, 757 F.2d 1176, 1180 (11th Cir.), cert. denied, 474 U.S. 845 (1985); *American Heritage Life Ins. Co.* v. *Heritage Life Ins. Co.*, 494 F.2d 3, 9-10 (5th Cir. 1974). Those courts have reasoned that, because Congress provided for de novo judicial review of Board decisions in district courts, see 15 U.S.C. 1071(b), Congress did not intend "to invoke the immunizing doctrines of res judicata or collateral estoppel with regard to [Board] proceedings." *Freedom Sav. & Loan Ass'n*, 757 F.2d at 1180; see *American Heritage Life Ins. Co.*, 494 F.2d at 10 ("[Board] findings do not merit application of the doctrine of collateral estoppel.").

That reasoning is flawed. Courts can and do give preclusive effect to prior unappealed legal rulings that would have been reviewed de novo if they had been appealed. Cf. *Federated Dep't Stores, Inc.* v. *Moitie*, 452 U.S. 394, 398 (1981) (explaining that "the res judicata consequences of a final, unappealed judgment on the merits" are not "altered by the fact that the judgment may have been wrong or rested on a legal prin-

ciple subsequently overruled in another case"). The fact that respondent could have obtained de novo review of the Board's likelihood-of-confusion determination simply underscores that respondent had an adequate opportunity to challenge that finding, and that there is no unfairness in giving that determination preclusive effect in later litigation.

Although they have found that issue preclusion is inapplicable, the Fifth and Eleventh Circuits have held that a Board finding on likelihood of confusion should "be accepted by the federal court unless the contrary is established by evidence which carries thorough conviction." *American Heritage Life Ins. Co.*, 494 F.2d at 10; see *Freedom Sav. & Loan Ass'n*, 757 F.2d at 1181. They have adopted that standard "out of respect for the expertise of the [Board]." *Ibid.* The Fifth and Eleventh Circuits have not applied those precedents recently, but they remain binding in those circuits.

d. Petitioner cites (Pet. 17-20) decisions from the Third and Seventh Circuits. Both of those decisions, however, concerned aspects of the issue-preclusion analysis other than the proper test for determining whether the same issue was involved in both the Board proceeding and the subsequent infringement action. Br. in Opp. 23-24; see *Jean Alexander Cosmetics* v. *L'Oreal USA, Inc.*, 458 F.3d 244, 249 (3d Cir. 2006), cert. denied, 549 U.S. 1305 (2007) (whether finding was necessary to Board's cancellation determination); *EZ Loader Boat Trailers*, 746 F.2d at 377-379 (7th Cir.) (whether party was given full and fair opportunity to litigate question); see *id.* at 378 (noting that party "sought and obtained judicial review of the Board's conclusions" and thus that the court was not

"concerned merely with the question of whether to give collateral effect to an agency determination"). The discussions in the pertinent Third and Seventh Circuit decisions make it reasonable to believe that those courts would often view Board proceedings and subsequent litigation as presenting the same likelihood-of-confusion question. Those circuits have not articulated a standard, however, for determining in particular cases whether both proceedings involve the same issue.

2. Questions concerning whether and under what circumstances Board proceedings give rise to issue preclusion in subsequent trademark-infringement litigation do not appear to have arisen frequently in lower courts. For that reason, it is not imperative that the Court address the issue at this time. But because the circuits have adopted inconsistent standards, and only the Federal Circuit's standard clearly tracks the approach set forth above, this Court's review would help to clarify this area of the law and would therefore be beneficial for trademark owners and lower courts.

3. As discussed, the parties have not briefed with any specificity the extent to which the scope of usage considered by the Board encompassed the actual usage before the district court. That deficiency, however, would not prevent this Court from resolving the questions presented. In particular, if this Court grants certiorari and ultimately adopts the approach proposed by the United States, it could remand the case to the lower courts for application of that standard to the administrative and trial record here. If this Court were inclined to illustrate the legal principle by applying it to the facts of this case, however, it might encounter difficulty in discerning from the record pre-

cisely the scope of usage adjudicated in the two proceedings.

4. The second question presented asks whether a Board decision that is not entitled to preclusive effect is nevertheless entitled to some measure of judicial deference. For the reasons discussed above, a Board decision is not entitled to any deference if the reason for denying that decision preclusive effect is that the Board considered a different issue than is before the district court in a subsequent infringement action. Nevertheless, if this Court grants review of the first question presented, it would be sensible to grant review of the second as well. Petitioner has preserved an argument that, if issue preclusion does not apply at all to Board determinations, such determinations should receive some degree of deference (see Pet. C.A. Br. 23-28); that argument is closely related to the preclusion question; and the Fifth and Eleventh Circuits have concluded that strong deference, rather than preclusion, is the appropriate approach in this context.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted.

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MAY 2014

JOINT APPENDIX

No. 13-352

IN THE

Supreme Court of the United States

B&B HARDWARE, INC.,

Petitioner,

v.

HARGIS INDUSTRIES, INC.,
D/B/A SEALTITE BUILDING FASTENERS,
D/B/A EAST TEXAS FASTENERS, ET AL.,

Respondents.

On Writ of Certiorari
to the United States Court of Appeals
for the Eighth Circuit

JOINT APPENDIX

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Date	Docket Text
04/27/2011	**BRIEF FILED** - APPELLANT BRIEF filed by B & B Hardware in 10-3137, w/service 04/26/2011 46 PDF pages, w/Addendum. Words/lines/pages 6,769 words. Paper briefs from B & B Hardware due 05/02/2011. Brief of John Does, East Texas Fasteners and Hargis Industries due on 05/27/2011 [3781631] [10-3137, 11-1247] (JPP)
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(STL)

06/14/2011 **BRIEF FILED** - APPELLEE BRIEF filed by East Texas Fasteners and Hargis Industries in 10-3137, 11-1247, w/service 06/13/2011 74 PDF pages, w/Addendum. Words/lines/pages 13,748 words Paper briefs from East Texas Fasteners and Hargis Industries due 06/20/2011. [3797654] [10-3137, 11-1247] (JPP)

06/14/2011 ADDENDUM of APPELLEE filed by Appellees East Texas Fasteners and Hargis Industries in 10-3137, 11-1247. w/service 06/13/2011 [3797659] [10-3137, 11-1247] (JPP)

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04/17/2012	ARGUED & SUBMITTED in St. Louis to Judges James B. Loken, Steven M. Colloton, Bobby E. Shepherd on 04/17/2012. Mr. Timothy James Cullen for Appellant B & B Hardware. Mr. Herbert A. Yarbrough, III for Appellees Hargis Industries and East Texas Fasteners. Rebuttal by Mr. Timothy James Cullen for B & B Hardware. RECORDED [3901811] [10-3137, 11-1247] (EDG)
04/26/2012	28(j) citation filed by Appellees East Texas Fasteners and Hargis Industries in 10-3137, 11-1247 w/service 04/25/2012 - FOR CAL. [3906042] [10-3137, 11-1247] (EDG)
05/01/2012	Response of Appellant B & B Hardware in 10-3137, 11-1247 to 28(j) citation, [3906042-2], filed by Hargis Industries and East Texas Fasteners in 10-3137, 11-1247, 28(j) citation for Calendar, [3906042-3], filed by Hargis Industries and East Texas Fasteners in 10-3137, 11-1247. w/service 05/01/2012 - FOR CAL. [3906923] [10-3137, 11-1247] (TJC)
05/01/2013	OPINION FILED - THE COURT: James B. Loken, Steven M. Colloton and Bobby E. Shepherd AUTHORING JUDGE: Bobby E. Shepherd (PUBLISHED), DISSENT BY: Steven M. Colloton [4031189] [10-3137, 11-1247] (JPP)

05/01/2013 **JUDGMENT FILED** - The judgment of the originating court is AFFIRMED in part, REVERSED in part and REMANDED in accordance with the opinion. JAMES B. LOKEN, STEVEN M. COLLOTON and BOBBY E. SHEPHERD Hrg Apr 2012 [4031204] [10-3137, 11-1247] (JPP)

05/24/2013 PETITION for en banc rehearing and also for rehearing by panel filed by Appellant B & B Hardware in 10-3137, 11-1247 w/service 05/24/2013 [4039069] [10-3137, 11-1247] (TJC)

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07/03/2013 MANDATE ISSUED. [4051700] [11-1247, 10-3137] (JPP)

09/19/2013 U.S. Supreme Court Notice of cert filed in the Supreme Court on 09/18/2013, case No. 13-352 [4081391] [10-3137, 11-1247] (SRD)

07/01/2014 SUPREME COURT order filed granting cert petition. Order filed on 07/01/2014 in case No.13-352. [4172317] [10-3137, 11-1247] (SRD)

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Date Filed	#	Docket Text
12/07/2006	1	Case transferred in from USDC C/D California; Case Number 2:06-cv-04871. Original file certified copy of transfer order and docket sheet received.(kjp,) (MODIFICATION: The document was added as an attachment on 12/11/2006.) (thd) (Entered: 12/11/2006)
12/07/2006	2	COMPLAINT with jury demand filed by B&B Hardware Inc. against all defendants (kjp,) Modified on 12/11/2006 to correct the file date (kjp,). (Entered: 12/11/2006)
12/07/2006	3	MOTION to Dismiss for failure to state a claim & Memorandum of Points and Authorities in Support of defendants' Motion to Dismiss filed by defts Hargis Industries, Inc. & East Texas Fasteners (kjp,) (Entered: 12/11/2006)

12/07/2006	5	RESPONSE in Opposition to [3] MOTION to Dismiss filed by B&B Hardware Inc. (kjp,) (Entered: 12/11/2006)
12/07/2006	8	REPLY IN SUPPORT of [3] Motion to Dismiss filed by defts Hargis Industries, Inc. & East Texas Fasteners (kjp,) (Entered: 12/11/2006)
07/17/2007	31	CLERK'S MINUTES of proceedings held before Judge Susan Webber Wright: Hearing held on 7/17/2007 re [3] MOTION to Dismiss filed by defendants and [16] MOTION to Transfer Case filed by plaintiff; after arguments, the Court directed that simultaneous briefs be filed by 7/31/2007 and will limit to 15 pages. (Court Reporter Pegge Merkel.) (sjc) (Entered: 07/17/2007)
07/31/2007	34	ADDENDUM filed by Does, Hargis Industries Inc., East Texas Fasteners to [3] Motion to Dismiss *Supplemental Brief in Support of Motion to Dismiss* (Lemley, Kevin) (Entered: 07/31/2007)

07/31/2007	35	RESPONSE in Opposition re [3] MOTION to Dismiss *Supplement* filed by B&B Hardware Inc. (Perkins, Kathryn) (Entered: 07/31/2007)
09/13/2007	36	MEMORANDUM OPINION AND ORDER denying [16] plaintiff's Motion to re-transfer and granting [3] defendants' Motion to dismiss. Signed by Judge Susan Webber Wright on 09/13/2007. (thd) (Entered: 09/14/2007)
09/13/2007	37	JUDGMENT: Pursuant to the [36] Memorandum Opinion and Order entered on this date; the Court dismisses the plaintiff's complaint. Signed by Judge Susan Webber Wright on 09/13/2007. (thd) (Entered: 09/14/2007)
12/17/2007	45	NOTICE OF APPEAL with Appeal Information Form "A" as to [37] Judgment, [36] Memorandum & Opinion, [43] Order on Motion for Reconsideration by B&B Hardware Inc. Filing fee $455, receipt number LIT009390. (dac) (Entered: 12/18/2007)

06/22/2009	59	OPINION of USCA we reverse the district courts grant of dismissal and remand this matter for further proceedings as to [45] Notice of Appeal filed by B&B Hardware Inc. (dac) (Entered: 06/22/2009)
06/22/2009	60	USCA JUDGMENT as to [45] Notice of Appeal filed by B&B Hardware Inc. Judgment of the district court in this cause is reversed and the cause is remanded to the district court for proceedings consistent with the opinion of this court (dac) (Entered: 06/22/2009)
08/04/2009	61	MANDATE of USCA In accordance with the opinion and judgment of 06/22/2009, as to [45] Notice of Appeal filed by B&B Hardware Inc. (dac) (Entered: 08/04/2009)
12/22/2009	65	*Original* ANSWER to [2] Complaint by Hargis Industries Inc.(Yarbrough, Herbert) (Entered: 12/22/2009)
05/03/2010	91	MOTION for Summary Judgment by B&B Hardware Inc. (Attachments: # [1]Exhibit 1, # [2] Exhibit 1A, # [3] Exhibit 1B, # [4] Exhibit 1C, # [5] Exhibit 1D, # [6] Exhibit 1E, # [7] Exhibit 1F, #

		[8] Exhibit 1G, # [9] Exhibit 1H, # [10] Exhibit 1I, # [11] Exhibit 1J, # [12] Document 1K, # [13] Exhibit 1L, # [14] Exhibit 1M, # [15] Exhibit 1N, # [16] Exhibit 1O, # [17] Exhibit 2, # [18] Exhibit 3, # [19] Exhibit 4, # [20] Exhibit 5, # [21] Exhibit 6, # [22] Exhibit 7, # [23] Exhibit 8, # [24] Exhibit 9, # [25] Exhibit 10, # [26] Exhibit 11, # [27] Exhibit 12, # [28] Exhibit 13, # [29] Exhibit 14, # [30] Exhibit 15, # [31] Exhibit 16) (Perkins, Kathryn) (Entered: 05/03/2010)
05/03/2010	92	BRIEF IN SUPPORT filed by B&B Hardware Inc. re [91] Motion for Summary Judgment, (Perkins, Kathryn) (Entered: 05/03/2010)
05/03/2010	93	STATEMENT OF FACTS (Local Rule 56.1) filed by B&B Hardware Inc. re [91] Motion for Summary Judgment. (Perkins, Kathryn) (Docket entry modified on 5/4/2010 to correct the description of the document filed.) (mkf). (Entered: 05/03/2010)

05/03/2010	99	MOTION for Summary Judgment *Likelihood of Confusion* by Hargis Industries Inc. (White, Brooks) (Entered: 05/03/2010)
05/03/2010	100	BRIEF IN SUPPORT filed by Hargis Industries Inc. re [99] Motion for Summary Judgment *likelihood of confusion* (Attachments: # [1] Exhibit B, # [2] Exhibit C, # [3] Exhibit D, # [4] Exhibit E, # [5] Exhibit F, # [6] Exhibit G, # [7] Exhibit H, # [8] Exhibit I, # [9] Exhibit J, # [10] Exhibit K, # [11] Exhibit L, # [12] Exhibit M, # [13] Exhibit N, # [14] Exhibit O, # [15] Exhibit P, # [16] Exhibit Q, # [17] Exhibit R, # [18] Exhibit S, # [19] Exhibit T, # [20] Exhibit U, # [21] Exhibit V, # [22] Exhibit W, # [23] Exhibit X, # [24] Exhibit Y, # [25] Exhibit Z, # [26] Exhibit A)(White, Brooks) (Docket text modified on 5/5/2010 to correct the Exhibit descriptions.) (thd). (Entered: 05/03/2010)
05/03/2010	101	STATEMENT OF FACTS (Local Rule 56.1) re [99] MOTION for Summary Judgment by Hargis Industries Inc. (White, Brooks) (Docket entry modified on 5/4/2010 to establish linkage and

		correct the description of the document filed.) (thd). (Entered: 05/03/2010)
05/03/2010	102	MOTION for Summary Judgment, Or, Alternatively, For Partial Summary Judgment by Hargis Industries Inc. (Yarbrough, Herbert) (Docket text modified on 5/4/2010 to indicate the Statement of Facts was filed as an attachment in error.) (mkf) (Entered: 05/03/2010)
05/03/2010	103	BRIEF IN SUPPORT filed by Hargis Industries Inc. re [102] Motion for Summary Judgment (Attachments: # [1] Exhibit Exhibit 1 - Declaration of Bruce Crouch, # [2] Exhibit Exhibit 2 - B&B Hardware, Larry Bogatz Deposition Excerpts & Exhibits, # [3] Exhibit Exhibit 3 - Declaration of Trey Yarbrough, # [4] Exhibit Exhibit 5 - Declaration of Molly Buck Richard)(Yarbrough, Herbert) (Entered: 05/03/2010)
05/03/2010	106	STATEMENT OF FACTS (Local Rule 56.1) re [102] Motion for Summary Judgment filed by Hargis Industries Inc. (mkf) (Entered: 05/04/2010)

05/05/2010	107	ADDENDUM filed by Hargis Industries Inc. to [100] Brief in Support of Motion for Summary Judgment on *Likelihood of Confusion* [Docket 100] (White, Brooks) (Entered: 05/05/2010)
05/12/2010	109	ORDER granting [80] Motion for Leave to File an Amended Answer by Hargis Industries Inc.; granting [81] Motion for Leave to File an Amended Complaint by B&B Hardware Inc. Signed by Judge Susan Webber Wright on 5/12/10. (vjt) (Entered: 05/13/2010)
05/13/2010	113	AMENDED ANSWER to [2] Complaint, COUNTERCLAIM against B&B Hardware Inc. by Hargis Industries Inc. (Attachments: # [1] Exhibit)(White, Brooks) (Entered: 05/13/2010)
05/17/2010	114	AMENDED COMPLAINT with Jury Demand against Hargis Industries Inc., filed by B&B Hardware Inc. (Attachments: # [1] Exhibit A - C)(Perkins, Kathryn) (docket text modified on 5/18/2010 to include jury demand) (bfw). (Entered: 05/17/2010)

05/18/2010	119	MOTION for Summary Judgment on Hargis' Counterclaim by B&B Hardware Inc. (Attachments: # [1] Exhibit 1, # [2] Exhibit 2, # [3] Exhibit 3, # [4] Exhibit 4, # [5] Exhibit 5, # [6] Exhibit 6, # [7] Exhibit 7, # [8] Exhibit 8a, # [9] Exhibit 8b) (Walker, Byron) (Entered: 05/18/2010)
05/18/2010	120	BRIEF IN SUPPORT filed by B&B Hardware Inc. re [119] Motion for Summary Judgment, on Hargis' Counterclaim (Walker, Byron) (Entered: 05/18/2010)
05/20/2010	125	RESPONSE in Opposition re [91] MOTION for Summary Judgment filed by Hargis Industries Inc. (Attachments: # [1] Exhibit A, # [2] Exhibit B, # [3] Exhibit C, # [4] Exhibit D, # [5] Exhibit E, # [6] Exhibit F) (White, Brooks) (Entered: 05/20/2010)
05/20/2010	126	RESPONSE re [93] Statement of Facts (Local Rule 56.1), filed by Hargis Industries Inc. (White, Brooks) (Docket text modified on 5/21/2010 to correct the description of the document filed.) (mkf) (Entered: 05/20/2010)

05/24/2010	132	STATEMENT OF FACTS (Local Rule 56.1) re [102] Motion for Summary Judgment or Partial Summary Judgment filed by B&B Hardware Inc. (Perkins, Kathryn) (Entered: 05/24/2010)
05/24/2010	133	RESPONSE in Opposition re [102] MOTION for Summary Judgment, Or, Alternatively, For Partial Summary Judgment filed by B&B Hardware Inc. (Attachments: # [1] Exhibit A, # [2] Document B, # [3] Exhibit C, # [4] Exhibit D, # [5] Exhibit E, # [6] Exhibit F, # [7] Exhibit G) (Walker, Byron) (Entered: 05/24/2010)
05/24/2010	134	STATEMENT OF FACTS (Local Rule 56.1) re [99] Motion for Summary Judgment *on Likelihood of Confusion* filed by B&B Hardware Inc. (Perkins, Kathryn) (Entered: 05/24/2010)
05/24/2010	136	RESPONSE in Opposition re [99] MOTION for Summary Judgment *Likelihood of Confusion* filed by B&B Hardware Inc. (Attachments: # [1] Exhibit 1, # [2] Exhibit 1a, # [3] Exhibit 1b, # [4] Exhibit 1c, # [5] Exhibit 1d, # [6] Exhibit 1e, # [7] Exhibit 1f, # [8] Exhibit 1g, # [9] Exhibit 1h, # [10] Exhibit 1j, #

		[11] Exhibit 1k, # [12] Exhibit 1l, # [13] Exhibit 1m, # [14] Exhibit 1n, # [15] Exhibit 1o, # [16] Exhibit 2, # [17] Exhibit 3, # [18] Exhibit 4, # [19] Exhibit 5, # [20] Exhibit 6, # [21] Exhibit 7, # [22] Exhibit 8, # [23] Exhibit 9, # [24] Exhibit 10, # [25] Exhibit 11, # [26] Exhibit 12, # [27] Exhibit 13, # [28] Exhibit 14, # [29] Exhibit 15, # [30] Exhibit 16-part 1, # [31] Exhibit 16-part 2, # [32] Exhibit 17, # [33] Exhibit 18, # [34] Exhibit 19, # [35] Exhibit 20, # [36] Exhibit 21, # [37] Exhibit 22, # [38] Exhibit 23, # [39] Exhibit 24, # [40] Exhibit 25) (Perkins, Kathryn) (Additional attachment(s) added on 5/25/2010:) # [41] Exhibit 1-J) (thd). (Entered: 05/24/2010)
05/27/2010	141	ANSWER to [113] Amended Answer to Complaint, Counterclaim by B&B Hardware Inc.(Perkins, Kathryn) (Entered: 05/27/2010)
06/01/2010	149	*Defendant's Original* ANSWER to [114] Amended Complaint with Jury Demand, COUNTERCLAIM against B&B Hardware Inc. by Hargis Industries Inc. (Attachments: # [1] Exhibit A) (White, Brooks) (Entered:

06/01/2010)

06/03/2010	159	REPLY to Response to Motion re [91] MOTION for Summary Judgment filed by B&B Hardware Inc. (Attachments: # [1] Exhibit 17, # [2] Exhibit 18 - Part 1, # [3] Exhibit 18 - Part 2, # [4] Exhibit 19, # [5] Exhibit 20, # [6] Exhibit 21, # [7] Exhibit 22) (Perkins, Kathryn) (Entered: 06/03/2010)
06/04/2010	163	RESPONSE to Motion re [119] MOTION for Summary Judgment on Hargis' Counterclaim filed by Hargis Industries Inc. (Attachments: # [1] Exhibit A, # [2] Exhibit B, # [3] Exhibit C) (White, Brooks) (Entered: 06/04/2010)
06/07/2010	166	REPLY to Response to Motion re [99] MOTION for Summary Judgment *Likelihood of Confusion* filed by Hargis Industries Inc. (Attachments: # [1] Exhibit A, # [2] Exhibit B, # [3] Exhibit C, # [4] Exhibit D) (White, Brooks) (Entered: 06/07/2010)
06/07/2010	167	REPLY to Response to Motion re [102] MOTION for Summary Judgment, Or, Alternatively, For Partial Summary Judgment filed

		by Hargis Industries Inc. (Attachments: # [1] Exhibit) (Yarbrough, Herbert) (Entered: 06/07/2010)
06/11/2010	177	ANSWER to [149] Answer to Amended Complaint, Counterclaim by B&B Hardware Inc.(Perkins, Kathryn) (Entered: 06/11/2010)
06/16/2010	179	REPLY to Response to Motion re [119] MOTION for Summary Judgment on Hargis' Counterclaim filed by B&B Hardware Inc. (Attachments: # [1] Exhibit A, # [2] Exhibit B) (Perkins, Kathryn) (Entered: 06/16/2010)
06/17/2010	181	STIPULATION of Facts by B&B Hardware Inc., Hargis Industries Inc. (Perkins, Kathryn) (Entered: 06/17/2010)
06/21/2010	191	(This is a TEXT ENTRY ONLY. There is no pdf document associated with this entry.) CLERK'S MINUTES for proceedings held before Judge Susan Webber Wright: Motion Hearing held on 6/21/2010; Motions # 91,99,102,119,123,142,169,171,175 denied for reasons stated on the record; parties to be present at

		9:00 a.m. June 22, 2010; voir dire to begin at 9:30 a.m. (Counsel: K. Perkins, B. Walker; T. Yarbrough, B. White, D. Gunter; Court Reporter: Cheryl Nelson.) (mcn) (Entered: 06/21/2010)
06/22/2010	193	MEMORANDUM of Law Regarding Admission of TTAB Opinions (Perkins, Kathryn) (Entered: 06/22/2010)
06/22/2010	194	(This is a TEXT ENTRY ONLY. There is no pdf document associated with this entry.) CLERK'S MINUTES for proceedings held before Judge Susan Webber Wright: Voir Dire and jury selection held on 6/22/2010; jury of 12 sworn; opening statements by counsel; testimony and evidence received; trial to resume at 9:00 a.m. on June 23, 2010. (Counsel: Kathryn Perkins & Byron Walker; Trey Yarbrough III, Brooks White Debby Gunter; Court Reporter: Cheryl Nelson & Elaine Hinson) (mcn) (Entered: 06/24/2010)
06/23/2010	195	(This is a TEXT ENTRY ONLY. There is no pdf document associated with this entry.) CLERK'S MINUTES for proceedings held before Judge Susan Webber Wright: Jury Trial

		resumes on 6/23/2010; testimony and evidence received; trial to resume at 9:00 a.m. on June 24, 2010. (Court Reporter Cheryl Nelson & Elaine Hinson.) (mcn) (Entered: 06/24/2010)
06/24/2010	196	(This is a TEXT ENTRY ONLY. There is no pdf document associated with this entry.)CLERK'S MINUTES for proceedings held before Judge Susan Webber Wright: Jury Trial continues on 6/24/2010; testimony and evidence received; jury excused until 9:00 a.m. on June 25, 2010. (Court Reporter: Judy Ammons & Elaine Hinson.) (mcn) (Entered: 06/29/2010)
06/25/2010	197	(This is a TEXT ENTRY ONLY. There is no pdf document associated with this entry.) CLERK'S MINUTES for proceedings held before Judge Susan Webber Wright: Jury Trial continues on 6/25/2010; testimony and evidence received; jury excused until 9:00 a.m. on Monday, June 28, 2010. (Court Reporter Elaine Hinson.) (mcn) (Entered: 06/29/2010)

06/28/2010	198	(This is a TEXT ENTRY ONLY. There is no pdf document associated with this entry.) CLERK'S MINUTES for proceedings held before Judge Susan Webber Wright: Jury Trial continues on 6/28/2010; testimony and evidence received; jury excused until 9:00 a.m. on June 29, 2010. (Court Reporter: Judy Ammons & Karen Baker.) (mcn) (Entered: 06/29/2010)
06/29/2010	199	(This is a TEXT ENTRY ONLY. There is no pdf document associated with this entry.) CLERK'S MINUTES for proceedings held before Judge Susan Webber Wright: Jury Trial continues on 6/29/2010; testimony and evidence received; defense rests; no rebuttal; motions denied; jury excused at 11:30 a.m. and directed to return at 9:00 a.m. June 30, 2010; jury instruction meeting held with counsel; plaintiff and defendant submit proffered instructions; counsel excused until 8:45 a.m. June 30, 2010. (Court Reporter: Karen Baker & Judy Ammons.) (mcn) (Entered: 07/01/2010)

06/30/2010	200	(This is a TEXT ENTRY ONLY. There is no pdf document associated with this entry.) CLERK'S MINUTES for proceedings held before Judge Susan Webber Wright: Jury Trial continues on 6/30/2010; closing arguments by counsel; jury instructions read to the jury; 11:53 a.m. the jury retires to deliberate; 2:32 p.m. the jury returns to the courtroom with their verdict for the defendant; jury excused; 2:42 p.m. Court adjourned. (Court Reporter: Judy Ammons & Karen Baker.) (mcn) (Entered: 07/01/2010)
06/30/2010	201	JURY VERDICT for the defendant.(mcn) (Entered: 07/01/2010)
07/01/2010	208	JUDGMENT, pursuant to [201] Jury Verdict, Plaintiff B&B Hardware, Inc. takes nothing on its complaint against Defendant Hargis Industries, Inc., & the complaint herein is dismissed with prejudice. IT IS FURTHER ORDERED AND ADJUDGED that Defendant Hargis Industries, Inc. is entitled to relief on counterclaim for false advertising & false designation of origin. Defendant's claim of

		copyright infringement is dismissed with prejudice. Signed by Judge Susan Webber Wright on 7/1/2010. (jct) (Entered: 07/01/2010)
07/15/2010	210	BILL OF COSTS by Hargis Industries Inc. (Attachments: # [1] Exhibit A- Itemization of Costs, # [2] Exhibit B- Supporting Documentation)(Yarbrough, Herbert) (Entered: 07/15/2010)
07/15/2010	211	MOTION for Attorney Fees by Hargis Industries Inc. .(Yarbrough, Herbert) (Entered: 07/15/2010)
07/15/2010	212	BRIEF IN SUPPORT filed by Hargis Industries Inc. re [211] Motion for Attorney Fees (Attachments: # [1] Exhibit A - Affidavit of Trey Yarbrough, # [2] Exhibit B - Affidavit of Brooks White) (Yarbrough, Herbert) (Entered: 07/15/2010)
07/29/2010	213	MOTION for Judgment as a Matter of Law or, in the Alternative, Motion for a New Trial by B&B Hardware Inc. (Perkins, Kathryn) (Entered: 07/29/2010)

07/29/2010	214	BRIEF IN SUPPORT filed by B&B Hardware Inc. re [213] Motion for Judgment as a Matter of Law or, in the Alternative, Motion for a New Trial (Perkins, Kathryn) (Entered: 07/29/2010)
08/02/2010	217	RESPONSE by B&B Hardware Inc. (Perkins, Kathryn) (Docket text modified on 8/4/2010 to correct the description of the document filed.) (hph). (Entered: 08/02/2010)
08/02/2010	218	RESPONSE in Opposition re [211] MOTION for Attorney Fees filed by B&B Hardware Inc. (Attachments: # [1] Exhibit Affidavit of Tony Fletcher) (Perkins, Kathryn) (Entered: 08/02/2010)
08/09/2010	220	REPLY re [217] Bill of Costs by Hargis Industries Inc. (Yarbrough, Herbert) (Entered: 08/09/2010)
08/10/2010	221	REPLY to Response to Motion re [211] MOTION for Attorney Fees filed by Hargis Industries Inc. (Attachments: # [1] Exhibit, # [2] Exhibit, # [3] Exhibit, # [4] Exhibit, # [5] Exhibit) (White, Brooks) (Entered: 08/10/2010)

08/16/2010	222	RESPONSE to Motion re [213] MOTION for Judgment as a Matter of Law or, in the Alternative, Motion for a New Trial filed by Hargis Industries Inc. (Attachments: # [1] Exhibit A, # [2] Exhibit B) (White, Brooks) (Entered: 08/16/2010)
08/31/2010	225	MEMORANDUM OPINION AND ORDER that [213] MOTION for Judgment as a Matter of Law or, in the alternative, for a New Trial filed by B&B Hardware Inc. is DENIED. Signed by Judge Susan Webber Wright on 8/31/10. (vjt) (Entered: 08/31/2010)
09/09/2010	227	ORDER granting [210] Defendant's Motion for Bill of Costs. Hargis is awarded fees in the amount of $87,852.42. Signed by Judge Susan Webber Wright on 9/9/10. (bkp) (Docket entry modified on 9/14/2010 to correct the linkage and the description of the document filed.) (thd) (Entered: 09/09/2010)
09/28/2010	231	NOTICE OF APPEAL as to [208] Judgment, [225] Memorandum & Opinion, Terminate Motions by B&B Hardware Inc. (Snyder, Barry) (Entered: 09/28/2010)

09/28/2010	232	NOTIFICATION OF APPEAL and NOA SUPPLEMENT as to [231] Notice of Appeal, [208] Judgment, [225] Memorandum & Opinion. (NOTIFICATION TO COUNSEL: REQUEST FOR TRANSCRIPTS SHOULD BE FILED WITH THE DISTRICT COURT CLERK. APPEAL INFOMATION FORMS A & B SHOULD BE SUBMITTED TO EIGHTH CIRCUIT COURT OF APPEALS CLERK'S OFFICE). (dac) (Entered: 09/28/2010)
11/10/2010	242	ORDER granting in part [211] Motion for Attorney Fees. Hargis is directed to submit an itemized statement of time spent and costs incurred within fourteen (14) days from the date of entry of this Order. B&B will be allowed seven (7) days to respond to the statement. Signed by Judge Susan Webber Wright on 11/10/10. (dac) (Entered: 11/10/2010)
11/24/2010	248	ADDENDUM filed by Hargis Industries Inc. to [212] Brief in Support. Statements of Attorney's Fees and Expenses (Attachments: # [1] Exhibit Index, # [2] Exhibit A-1, # [3] Exhibit A-2, # [4] Exhibit B, # [5]

		Exhibit C-1, # [6] Exhibit C-2, # [7] Exhibit C-3, # [8] Exhibit D)(Yarbrough, Herbert) (Entered: 11/24/2010)
12/01/2010	252	RESPONSE in Opposition re [211] MOTION for Attorney Fees filed by B&B Hardware Inc. (Perkins, Kathryn) (Entered: 12/01/2010)
12/08/2010	255	REPLY to Response to Motion re [211] MOTION for Attorney Fees Defendant's Reply in Support of Its Statement of Attorney's Fees and Expenses filed by Hargis Industries Inc. (Yarbrough, Herbert) (Entered: 12/08/2010)
12/29/2010	260	MEMORANDUM ORDER Hargis is awarded attorney's fees and expenses in the amount of $665,534.13 re [242] Order on Motion for Attorney Fees, [248] Addendum, filed by Hargis Industries Inc. Signed by Judge Susan Webber Wright on 12/29/10. (dac) (Entered: 12/29/2010)
01/28/2011	274	Amended NOTICE OF APPEAL as to [260] Memorandum Order by B&B Hardware Inc. (Snyder, Barry) (Entered: 01/28/2011)

05/01/2013	304	OPINION of USCA as to [231] Notice of Appeal and [274] Amended Notice of Appeal filed by B&B Hardware Inc. (mcz) (Entered: 05/01/2013)
05/01/2013	305	USCA JUDGMENT: the judgment of the district court in these causes are affirmed in part and remanded to the district court for proceedings consistent with the opinion of this court. as to [231] Notice of Appeal and [274] Amended Notice of Appeal filed by B&B Hardware Inc. (mcz) (Entered: 05/01/2013)
07/03/2013	307	MANDATE of USCA in accordance with the opinion and judgment of 05/01/2013 as to [231] Notice of Appeal and [274] Amended Notice of Appeal filed by B&B Hardware Inc. (mcz) (Entered: 07/03/2013)
07/11/2013	308	ORDER within 30 days from the date of this Order, the parties are directed to file a joint pleading, if possible, setting forth the amount to be deducted from the award re deft's attorney fees [260] for the prior appeal. Signed by Judge Susan Webber Wright on 7/11/13. (vjt) (Entered: 07/11/2013)

08/15/2013	310	ORDER re [309] Joint Motion for Entry of Order on Attorney's Fees and Expenses; Hargis Industries LP is awarded attorney's fees and expenses against B&B Hardware Inc. in the amount of $547,614.38 and post-judgment interest at the rate of 0.30% per annum. Signed by Judge Susan Webber Wright on 8/15/13. (vjt) (Entered: 08/15/2013)

Relevant Docket Entries in U.S. District Court for the Central District of California, *B&B Hardware, Inc. v. Hargis Industries, Inc., d/b/a Sealtite Building Fasteners, d/b/a East Texas Fasteners, et al.*, Case No. 2:06-cv-04871-PA-SS

Date Filed	#	Docket Text
08/04/2006	1	COMPLAINT against defendants Hargis Industries Inc., East Texas Fasteners.(Filing fee $ 350) Jury Demanded. , filed by plaintiff B and B Hardware Inc.(rrey,) (Entered: 08/10/2006)
10/16/2006	21	MINUTES OF IN CHAMBERS - COURT ORDER by Judge Percy Anderson: Defendants Hargis Industries, Inc. and East Texas Fasteners' Motion to Dismiss for Failure to State a Claim 11 is continued to 11/20/2006. The hearing, currently scheduled for 10/16/2006, is vacated. Court orders the parties to show good cause in writing why this action should not be transferred to the United States District Court for the Eastern District of Arkansas for the convenience of the parties and witnesses, and in the interests of justice, Set Deadlines: Response to Order to

		Show Cause due by 11/13/2006. Each party shall deliver a conformed courtesy copy of its submission to the courtesy box on the wall outside the entrance to chambers on the Spring Street level of the U.S. Courthouse by 4:00 PM on 11/13/2006. Court Reporter: Not Reported. (gk,) (Entered: 10/31/2006)
11/13/2006	25	RESPONSE filed by Defendants Hargis Industries, Inc., d/b/a Sealtite Building Fasteners, and d/b/a East Texas Fasteners, a Texas Corporation; and East Texas Fasteners, improperly named as a separate defendant to Court's 10/16/2006 Order Re: Transfer [21] . (gk,) (Entered: 11/27/2006)
11/13/2006	28	BRIEF filed by Plaintiff B & B Hardware, Inc. Re Order to Show Cause Why This Action Should Not Be Transferred to the United States District Court, Eastern District of Arkansas [21]. (gk,) (Entered: 11/27/2006)
11/30/2006	31	ORDER TRANSFERRING THIS ACTION TO THE U.S. DISTRICT COURT FOR THE EASTERN DISTRICT OF ARKANSAS by Judge Percy Anderson: This Court concludes

that Defendant has established that any presumption in favor of this forum is substantially outweighed by the greater interests of convenience and justice that would be served by transferring this case to the Eastern District of Arkansas. The Court therefore orders the Clerk to transfer this case to United States District Court for the Eastern District of Arkansas. Original file, certified copy of the transfer order and docket sheet sent. (MD JS-6. Case Terminated.)(gk,) (Entered: 12/04/2006)

Peter J. Bezek, State Bar No. 102310
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Attorneys for Plaintiff, B & B HARDWARE, INC.

IN THE UNITED STATES DISTRICT COURT FOR THE CENTRAL DISTRICT OF CALIFORNIA

B & B HARDWARE, INC., a California Corporation,

Plaintiff,

vs.

HARGIS INDUSTRIES, INC., d/b/a Sealtite Building Fasteners, and d/b/a East Texas Fasteners, a Texas Corporation, EAST TEXAS FASTENERS, a business entity of form unknown and DOES 1 through 10, inclusive,

Case No.:

COMPLAINT FOR:

1. **Trademark Infringement**
2. **Unfair Competition Under United States Law**
3. **Trademark Dilution**
4. **Unfair Competition Under California Law**
5. **False Designation of Origin**

DEMAND FOR JURY

TRIAL

Defendants.

Plaintiff, B & B HARDWARE, INC., ("B&B"), by and though its undersigned attorneys, hereby demands a jury trial, for its Complaint against HARGIS INDUSTRIES, INC., d/b/a Sealtite Building Fasteners, and d/b/a East Texas Fasteners, a Texas corporation, EAST TEXAS FASTENERS, a business entity of form unknown, and DOES 1 through 10 (collectively "Defendants") alleges as follows:

JURISDICTION AND VENUE

1. This action arises, in part, under the Federal Trademark Act of the United States, 15 U.S.C. Section 1051, et seq., (the "Lanham Act") and for related claims of unfair competition. This Court has subject matter jurisdiction over the non-federal claims asserted herein pursuant to 28 U.S.C. § 1367 ("supplemental jurisdiction") in that they are so related to the federal law claims in the action that they form a part of the same case or controversy under Article III of the United States Constitution.

2. This Court also has original subject matter jurisdiction over this action, and the claims asserted herein, pursuant to 28 U.S.C. § 1332(a)(1) ("diversity jurisdiction") in that this is a civil action between citizens of different States, and the matter in controversy exceeds the sum or value of $75,000.00, exclusive of interest and costs. On information and belief, as more specifically alleged below, for purposes of 28 U.S.C. §1332, HARGIS transacts business in the state of California, has caused tortuous injury by acts in California, and has caused

tortuous injury in California by acts and omissions outside California.

3. On information and belief, Defendants are subject to personal jurisdiction of this Court because they do transact business, or are otherwise found and have purposefully availed themselves of the privilege of doing business, in California and this District, including in Los Angeles County, by among other things, conducting their business in California and/or through the operation of Internet web sites, wrongfully using and infringing upon B&B's common law trademark, and committing unfair acts, in California and this District, including in Orange County and Los Angeles County, as herein alleged.

4. Venue is properly laid in this Court pursuant to 28 U.S.C. Sections 1391 and 1400 (a) in that a substantial part of the events or omissions giving rise to the claim occurred in this judicial district.

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PARTIES

5. Plaintiff B & B Hardware, Inc., ("B&B") is a corporation duly organized and existing under the laws of the State of California, and maintains its principal place of business at 5370 Hollister Avenue #2, Santa Barbara, California 93111-2399.

6. Plaintiff B&B is informed and believes, and thereupon alleges, that Defendant, Hargis Industries, Inc. ("Hargis") is a corporation duly organized and existing under the laws of State of Texas, and maintains its principal place of business

at 6357 Reynolds Road, P.O. Box 4515, Tyler, Texas 75712.

7. Plaintiff is informed and believes that Defendant, EAST TEXAS FASTENERS (hereinafter "EAST TEXAS") is and was a business entity of form unknown, doing business in and impacting upon this district.

8. The Defendants designated herein as "Does 1 through 10" are presently unknown to Plaintiff B&B. The true names, identities and capacities, and the respective relationship to the known Defendants, are presently unknown to Plaintiff B&B, who therefore sues said Doe Defendants by such fictitious names. The Doe Defendants are believed to be individuals or entities that infringe B&B's rights described in detail below, either as independent contractors, suppliers, agents, servants or employees of the known Defendants, or entered into a conspiracy and agreement with the known Defendants to perform these acts, for financial gain and profit, in violation of plaintiff B&B's protected rights. Plaintiff B&B requests leave of Court to amend this complaint to set forth the true names, identities and capacities of the Doe Defendants upon ascertaining the same. The Doe Defendants and the known Defendants are referred to hereinafter collectively as the Defendants.

9. Plaintiff B&B is engaged in the business of designing, producing, marketing, and selling a complete line of reusable fasteners under the trademark Sealtight® ("Sealtight®"). The fasteners sold by B&B under the Sealtight® mark meet the highest quality standards and are used in many

varied applications. As set forth below, Larry Bogatz, co-founder of B&B, adopted and began using the Sealtight® mark as early as May 2, 1990. The complete line of reusable fastener products are sold and distributed throughout the world under the Sealtight® mark.

10. Plaintiff B&B has expended and continues to expend substantial sums of money per year promoting and advertising the Sealtight® mark.

11. As a result of Plaintiff B&B's long, continuous and exclusive use of the mark, and the extensive promotion and advertisement of its fastener products under this mark, the mark has gained wide public acceptance and association with Plaintiff B&B, both in this district and elsewhere, and has come to be widely and favorably recognized by the public as an indication of source in Plaintiff B&B.

12. Plaintiff B&B is informed and believes, and thereon alleges, that Defendants have made and are currently making interstate commercial use of Plaintiff B&B's distinctive, valuable, and well-known Sealtight® mark and/or confusingly similar variations thereof (including, but no limited to, the phonetically equivalent "Sealtite" and "Sealtite.com"), on or in connection with fastener products.

13. Plaintiff B&B has never granted to any of the Defendants, individually or collectively, any form of right in its lawfully registered trademarks, service marks, name or any other proprietary rights,

14. The aforementioned activities by the Defendants materially affect interstate commerce among the several states in that Defendants sell to and service interstate customers. Further, the activities of the Defendants materially affect interstate commerce in that Plaintiff B&B's goods and services are offered in interstate commerce. Plaintiff B&B is informed and believes, and based thereon alleges that defendants are disseminating advertising materials in interstate commerce that incorporate the phonetic equivalent of the "Sealtight®" mark.

GENERAL ALLEGATIONS

15. Larry Bogatz and his wife Diana Bogatz founded their company, B&B Hardware in Los Angeles County, in February 1990. At the time of its founding, B&B began using the trademark "Sealtight®" to represent B&B's reusable fastener product line. By the end of February, 1990, B&B was soliciting by telephone orders for its Sealtight® product line. In April 1990, B&B commenced soliciting orders for its Sealtight® product line through faxes to various potential customers.

16. On or about, May 7, 1990, B&B filed an application to register the "Sealtight®" mark with the U.S. Patent and Trademark Office ("PTO"). On October 12, 1993, B&B received a trademark registration for the Sealtight® mark from the PTO. In granting the registration, the PTO determined that the Sealtight® mark was distinctive. Accordingly, the Sealtight® mark was registered on the Principal Register as Registration No. 1,797,509. The registration provides B&B with the exclusive

statutory right to use the Sealtight® mark throughout the United States on or in connection with goods and services including threaded or unthreaded metal fasteners and other related hardware; namely, self-sealing nuts, bolts, screws, rivets and washers, all having a captive O-ring, for use in the aerospace industry. A Copy of the Certificate of Registration is attached hereto as Exhibit "A" and incorporated by reference.

A. Sealtite Building Fasteners Application to Register the "Sealtite" Mark

17. On June 2, 1996, Joe Hargis acting on behalf of Sealtite Building Fasteners ("SBF or Sealtite") a division of Hargis filed an application to register the trademark "Sealtite" with the PTO. The PTO refused to register "Sealtite," however, because of the likely confusion with B&B's trademark "Sealtight®." Hargis did not challenge the PTO's decision, but in March 1997, Hargis filed a petition to cancel B&B's registration with the Trademark Trial and Appeal Board ("TTAB"), citing abandonment and, in an amended petition, priority of use.

18. B&B initiated a civil action in the Federal District Court for the District of Arkansas ("the Arkansas suit") and filed a motion to stay the TTAB proceeding. B&B obtained a stay of the TTAB proceeding.

B. The Arkansas Suit

19. On June 2, 1998, B&B brought the Arkansas suit against Hargis. B&B sought relief against

Hargis for trademark infringement, fraud and breach of contract.

20. During discovery in the Arkansas suit, it was determined that B&B's use of the Sealtight® mark preceded Hargis' use of the Sealtite mark by at least 18 months. In addition, during that lawsuit, Hargis unequivocally denied that anyone at Hargis, or any of its affiliated entities, knew or had knowledge of the existence of instances of actual confusion between B&B and Hargis products.

21. At trial, Hargis untimely raised the claim that B&B's Sealtight® mark was merely descriptive, rather than suggestive, and was therefore not entitled to trademark protection. Although B&B's amended complaint alleged several causes of action including trademark infringement under the Lanham Act, 15 U.S.C. § 1117, B&B voluntarily dismissed the common law actions at the close of evidence, and only the Lanham Act claim proceeded to the jury.

22. After several hours of deliberations, the jury returned an 11-1 verdict finding that the Sealtight® mark was descriptive and that no secondary meaning had been established as of the date of the verdict. However, the jury did not decide: (1) whether the use of "Sealtite" created a likelihood of confusion with the Sealtight® mark; or (2) the amount B&B had been damaged by Hargis' infringement. In addition, the jury did not decide, nor could they have decided, whether secondary meaning had been established from the date of the verdict through the present time. A judgment of dismissal was then entered by the District Court.

The District Court, however, did not order cancellation of the Sealtight® registration nor was such a cancellation requested by Hargis.

23. B&B appealed the jury verdict to the United States Court of Appeals for the Eighth Circuit, on the grounds that the District Court's jury instructions regarding descriptiveness were prejudicial. The Eighth Circuit affirmed the verdict. Then, after the appeal to the Eighth Circuit, Hargis reopened the TTAB cancellation proceeding. The TTAB initially granted Hargis' petition to cancel the Sealtight® registration, and then upon reconsideration, dismissed petition and reinstated the Sealtight® mark. In dismissing the petition, the TTAB determined that Hargis had not timely raised the claim of descriptiveness, and was therefore barred from doing so, and further determined that the TTAB was not bound by the decision by the District Court.

24. The TTAB reinstated the Sealtight® mark on the Principal Register of the United States Patent and Trademark Office and the Sealtight® mark remains on the Principal Register of the United States Patent and Trademark Office to the present date. In addition, the Sealtight® mark has met the requirements for and is entitled to status as an incontestable mark.

C. Defendant's Acts of Infringement and Unfair Competition

25. Defendant's began using the Sealtite name and Sealtite.com long after B&B's first common law use of the Sealtight® mark throughout the United

States. Defendants have used and are using Sealtite in connection with its line of fasteners, including, without limitation, self-piercing and self-drilling metal screws with a rubber washer.

26. The goods advertised, offered for sale and sold by Defendants and in connection with Sealtite are very similar in appearance and function to those offered by B&B in connection with its Sealtight® mark.

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27. Defendant has used and is using Sealtite in connection with a fastener product line via; inter alia, the Internet in the jurisdiction of this Court and in interstate commerce.

28. The conduct of the Defendants, as set forth above has confused and continues to confuse, mislead and deceive consumers, the trade and the relevant purchasing public, and will continue to confuse, mislead and deceive consumers, the trade and the relevant purchasing public into wrongly believing that Hargis' business, products and web sites are affiliated with, connected with, associated with, sponsored by, endorsed by, administered by, supervised by, or otherwise connected with B&B, and/or that B&B is the source of such business, products and web site (forward confusion). Moreover, the conduct of the Defendants, as set forth above has confused and continues to confuse, mislead and deceive consumers, the trade and the relevant purchasing public, and will continue to confuse, mislead and deceive consumers, the trade and the relevant purchasing public into wrongly believing

that B&B's business, products and web sites are affiliated with, connected with, associated with, sponsored by, endorsed by, administered by, supervised by, or otherwise connected with Hargis, and/or that Hargis is the source of such business, products and web site (reverse confusion)

29. Plaintiff B&B has not licensed, authorized or otherwise consented to Defendant's foregoing use of Sealtite.

COUNT ONE

TRADEMARK INFRINGEMENT

30. Plaintiff B&B incorporates the allegations set forth in paragraphs 1 through 29 of this Complaint, as if fully rewritten herein.

31. B&B is the owner of the Sealtight® mark. As a result of B&B's extensive use and promotion of its Sealtight® mark, B&B has built up and owns valuable goodwill which is symbolized by the Sealtight® mark. The purchasing public has come to associate the Sealtight® mark with B&B as the source of B&B's products. The Sealtight® mark is distinctive and has attained incontestability status.

32. Long subsequent to B&B's adoption and first use of the Sealtight® mark, Defendants began using Sealtite and Sealtite.com in the advertisement, promotion and marketing of their products.

33. The marks used by the defendants are virtually identical, and are confusingly similar (forward confusion and/or reverse confusion), to the

marks that are used by B&B. Defendants have distributed and otherwise used these marks in the course of their business activities.

34. Defendants' use of Sealtite and Sealtite.com has caused and is likely to continue to cause confusion (forward confusion and/or reverse confusion), mistake, and deception among the consuming public, including, without limitation, customers common to both B&B and Hargis. On March 10, 2006, after having unequivocally denied the existence of actual confusion, Hargis conceded that Fastenal, a customer common to both B&B and Hargis, had repeatedly attempted to purchase B&B products from Hargis for a considerable period of time. Hargis earlier characterized Fastenal as a sophisticated consumer, incapable of being confused.

35. Defendants are the manufacturers and distributors of fasteners and related goods and at all times herein mentioned, have been and continue to be in direct and/or indirect competition with B&B throughout the United States, including, without limitation, in the California market, including the Central District of California.

36. B&B has requested that Defendants cease and desist from the actions set forth above, but the Defendants have failed and refused, and continue to fail and refuse, to do so.

376. As a direct and proximate result of the advantage accruing to Defendants' business from B&B's extensive advertising, sales and consumer recognition, and as a proximate result of the confusion, deception, and mistake caused by

Defendants' wrongful acts as herein alleged, Defendants have made substantial sales and profits.

38. As a direct and proximate result of the advantage accruing to Defendants' business from B&B's extensive advertising, sales and consumer recognition, and as a proximate result of the confusion, deception, and mistake caused by Defendants' wrongful acts as herein alleged, B&B has been deprived of substantial sales of its services, and its trademarks, service marks, and reputation have been and continue to be damaged.

39. Defendants' activities constitute trademark and service mark infringement in violation of 15 U.S.C. sections 1114(a).

40. Defendants' activities infringe B&B's rights under the common law.

41. Defendants' activities as set forth above are greatly and irreparably damaging to B&B, and will continue to damage B&B unless restrained by this Court, and, therefore, B&B is without an adequate remedy at law. Continuing infringing actions by Defendants are likely and a multiplicity of suits will be necessary unless further infringing actions by Defendants' are enjoined, and accordingly, B&B has an inadequate remedy at law.

42. As a direct and proximate result of Defendants actions, as alleged herein, B&B has been damaged in an amount presently unknown, but to be proven at the time of trial.

43. B&B has incurred costs and attorneys' fees in bringing this action.

COUNT TWO

VIOLATION OF LANHAM ACT SECTION 43(A) UNFAIR COMPETITION UNDER UNITED STATES LAW

44. Plaintiff B&B incorporates the allegations set forth in paragraphs 1 through 43 of this Complaint as if fully rewritten herein.

45. Defendants' conduct constitutes unlawful, unfair, and fraudulent business practices in violation of Lanham Act Section 43(a), U.S.C. Section 1125(a).

46. In connection with the matters alleged herein, Defendants' have been guilty of fraud, oppression, malice and Plaintiff B&B is therefore entitled to exemplary damages in an amount to be shown at trial.

COUNT THREE

TRADEMARK DILUTION

47. Plaintiff B&B incorporates the allegations set forth in paragraphs 1 through 45 of this Complaint as if fully rewritten herein.

48. Defendants' wrongful acts as set forth herein have injured and are likely to continue to injure the business reputation of B&B and dilute the distinctive quality of the Sealtight® mark, in violation of section 14330 of the California Business and Professions Code.

49. Upon information and belief, Defendants' activities have caused, and unless enjoined by this Court will continue to cause, irreparable injury and other damage to Plaintiffs business, reputation and good will in its Sealtight® mark. Plaintiff has no adequate remedy at law.

COUNT FOUR

UNFAIR COMPETITION UNDER CALIFORNIA LAW

50. Plaintiff B&B incorporates the allegations set forth in paragraphs 1 through 49 of this Complaint as if fully rewritten herein.

51. Defendants' conduct as stated herein constitutes unlawful, unfair, and fraudulent business practice and competition and an infringement of Plaintiffs common law trademark rights in the Sealtight® mark in violation of the California Business and professions Code, Section 17200, et seq.

52. In connection with the matters alleged herein, Defendants' wrongful and infringing activities have caused, and unless enjoined by this Court will continue to cause, irreparable injury and other damage to Plaintiffs business, reputation and good will in its Sealtight® mark. Plaintiff has no adequate remedy at law.

53. Defendants have been guilty of fraud, oppression, and malice and Plaintiff B&B is therefore entitled to exemplary damages in an amount to be proved at trial.

COUNT FIVE

FALSE DESIGNATION OF ORIGIN UNDER 15 U.S.C. § 1125(A)

54. Plaintiff B&B incorporates the allegations set forth in paragraphs 1 through 53 of this Complaint as if fully rewritten herein.

55. Upon information and belief, Defendants have used the Sealtite mark in connection with fasteners, including, without limitation, self-drilling and self-tapping screws and other products in interstate commerce. Said use of the Sealtite mark is a false designation of origin, a false or misleading description and representation of fact which is likely to cause confusion and to cause mistake, and to deceive as to the affiliation, connection or association of Defendants with Plaintiff. In addition, said use of the Sealtite mark has caused and is likely to continue to cause confusion and mistake, namely that Defendants' products have been sponsored or approved by Plaintiff, when in fact they have not,

56. Upon information and belief, Defendants' wrongful activities have caused, and unless enjoined by this Court will continue to cause, irreparable injury and other damage to Plaintiffs business, reputation and good will in its Sealtight® mark. Plaintiff has no adequate remedy at law.

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PRAYER FOR RELIEF

WHEREFORE, Plaintiff B & B prays for relief as follows:

1. That the Court find that the Defendants' acts constitute infringement of the Sealtight® mark under § 32 of the Lanham Act, which acts have damaged and will continue to damage B&B;

2. That the Court find that Defendants' acts constitute unfair competition under §43(a) of the Lanham Act, which acts have damaged and will continue to damage B&B;

3. That the Court find that Defendants' acts constitute trademark dilution under §43(a) of the Lanham Act, which acts have damaged and will continue to damage B&B;

4. That the Court finds that Defendants acts constitute unfair competition under Cal. Bus. Prof. Code § 17200 et seq., which acts have damaged and will continue to damage B&B;

5. The Defendants, their officers, agents, servants, employees, representatives, and attorneys, and all persons in active concert, privity or participation with them be preliminary and permanently enjoined by this Court:

a. from using or registering the name Sealtight®, any confusingly similar or colorable variations thereof, including, but not limited to, the "Sealtite" name and/or Sealtite.com, either alone or in combination with other words, symbols, components,

or the like as a service mark, trademark, trade name component, and/or domain name or otherwise to market, advertise or identify B&B's products and services;

b. from otherwise infringing or diluting the Sealtight® mark and any confusing variations thereof; and

c. from unfairly competing with B&B in any manner whatsoever;

6. That Defendants be required to account to Plaintiff for Defendants' profits and the actual damages suffered by Plaintiff as a result of Defendants' acts or infringement, false designation of origin, unfair competition, and unfair and deceptive trade practices, together with interest, and that Plaintiffs recovery be trebled, pursuant to Section 35 of the Lanham Act (15 U.S.C. § 1117) and California Business and Professions Code, Section 17200, et seq.

7. That Defendants be ordered to surrender for destruction within five days of the date of the entry of an Order for a permanent injunction, all name-plates, labels, advertisements, and other materials incorporating or reproducing the infringing Sealtite trademark in its possession, custody or control or in the possession, custody or control of its agents, representatives, and all those in active concert or participation with any of them, which bear the "Sealtite" name, Sealtite.com, and/or any colorable imitations or confusingly similar variations thereof;

8. That Defendants' be compelled to pay Plaintiffs attorney's fees, together with costs of this suit, pursuant to Section 35 of the Lanham Act (15 U.S.C. § 1117);

9. That Defendants be ordered to perform corrective advertising to alleviate the confusion and other harmful effects caused by Defendants' illegal acts;

10. That Defendants pay Plaintiff B&B punitive damages for their intentional and willful conduct.

11. For such other and further relief as may be just and equitable.

DATED: July 3, 2006

[Signature Block omitted]

DEMAND FOR JURY TRIAL

Pursuant to Federal Rule of Civil Procedure 38(b) and Local Rule 3.4.10.1, Plaintiff hereby demands a jury trial in this matter.

DATED: July 3, 2006

[Signature Block omitted]

Int. Cl.: 6

Prior U.S. Cl.: 13

United States Patent and Trademark Office Reg. No. 1,797,509
Registered Oct. 12, 1993

TRADEMARK PRINCIPAL REGISTER

SEALTIGHT

BOGATZ, LARRY JOSEPH (UNITED STATES CITIZEN), DBA B&B HARDWARE 11 CORONADO COVE MAUMELLE, AR 721136101

FOR: THREADED OR UNTHREADED METAL FASTENERS AND OTHER RELATED HARDWARD; NAMELY, SELF-SEALING NUTS, BOLTS, SCREWS, RIVETS AND WASHERS, ALL HAVING A CAPTIVE O-RING, FOR USE IN THE AEROSPACE INDUSTRY, IN CLASS 6 (U.S. CL. 13).

FIRST USE 5-2-1990; IN COMMERCE 5-5-1990.

SER. NO. 74-056,236, FILED 5-7-1990.

BLAINE T. KUSER, EXAMINING ATTORNEY

United States Court of Appeals
FOR THE EIGHTH CIRCUIT

No. 07-3866

B & B Hardware, Inc., a California Corporation, Appellant, v. Hargis Industries, Inc., a Texas Corporation, d/b/a Sealtite Building Fasteners, d/b/a East Texas Fasteners; East Texas Fasteners, a business entity of form unknown; John Does 1 through 10, inclusive, Appellees.	* * * * * * * * * * * * * * *	Appeal from the United States District Court for the Eastern District of Arkansas.

Submitted: September 25, 2008
Filed: June 22, 2009

Before BYE, BEAM, and SHEPHERD, Circuit Judges.

SHEPHERD, Circuit Judge.

B&B Hardware ("B&B") appeals the district court's dismissal, on collateral estoppel grounds, of its trademark infringement action filed against Hargis Industries ("Hargis"). For the reasons explained

herein, we reverse the dismissal and remand this matter to the district court for further consideration.

I.

In 1990, B&B began manufacturing and selling a fastener product under the name "Sealtight." This product is largely used in the aerospace industry. Pursuant to a 1990 application, B&B received a certificate of registration for the "Sealtight" mark from the Patent and Trademark Office (PTO) on October 12, 1993. In 1992, Hargis began manufacturing and selling, under the "Sealtite" mark, a line of self-drilling and self-taping screws that are used primarily in the metal building industry.

In July 1996, Hargis filed an application with the PTO to register its "Sealtite" mark, but the PTO refused to grant the registration, citing the likelihood of confusion with B&B's "Sealtight" mark. In March 1997, Hargis sought before the PTO's Trademark Trial and Appeal Board (TTAB) to cancel the registration of B&B's mark. The TTAB initially granted the cancellation request, but later reinstated B&B's registration and stayed the TTAB proceedings pending the outcome of a federal trademark infringement action filed by B&B against Hargis in June 1998 in the United States District Court for the Eastern District of Arkansas. After a four day trial held in May 2000, a jury returned a verdict in favor of Hargis, determining that B&B's "Sealtight" mark was merely descriptive and had not acquired a secondary meaning. A panel of this court affirmed that decision on appeal. *B&B Hardware, Inc. v. Hargis Indus., Inc., 252 F.3d 1010 (8th Cir. 2001).*

Following the affirmance, Hargis requested that the TTAB resume proceedings regarding Hargis's request for cancellation of B&B's mark. The TTAB permitted Hargis to amend its petition to include as a ground, in accordance with the jury's determination, that B&B's mark was merely descriptive and had not acquired a secondary meaning. In July 2002, the TTAB granted Hargis's motion for summary judgment and canceled the registration of B&B's "Sealtight" mark. The TTAB subsequently reversed itself and held that the motion to amend the petition was untimely, set aside its grant of summary judgment, and dismissed the cancellation proceeding.

In February 2003, B&B filed an opposition to the Hargis's application to register its "Sealtite" mark. In reply, Hargis argued that the prior federal action, which determined that there was no trademark infringement, should be given preclusive effect by the TTAB. In August 2004, the TTAB rejected this argument, holding that the jury in the federal trademark action had not made any findings concerning the likelihood of confusion. The TTAB also held that Hargis was barred in its attempt to cancel B&B's mark on the basis that B&B's mark was merely descriptive because B&B's mark had been registered for more than five years.

In June 2006, B&B filed an affidavit of incontestability with the TTAB regarding B&B's "Sealtight" mark on the grounds that the mark had been on file for five years without challenge. On September 21, 2006, the PTO issued a Notice of Acknowledgement, recognizing that B&B's

"Sealtight" mark had become incontestable. Meanwhile, in August 2006, B&B filed the present action against Hargis, alleging trademark infringement, unfair competition, trademark dilution, and false designation of origin.[1] Hargis sought an order of dismissal on grounds of res judicata and collateral estoppel based upon the 2000 jury verdict. Following a hearing, the district court granted Hargis's motion to dismiss on the basis of collateral estoppel.

In granting the motion to dismiss, the district court recognized B&B's mark had become incontestable and that this status protected the mark from an attack that it is merely descriptive and without secondary meaning. The district court further recognized that incontestability of a mark addresses one of two elements of a trademark infringement action.[2] The court rejected, however, B&B's argument that receipt of incontestability status after

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[1] B&B filed this action in the United States District Court for the Central District of California. Over B&B's objections, it was transferred to the United States District Court for the Eastern District of Arkansas. B&B sought retransfer back to the Central District of California, but the motion was denied. The denial of the motion to retransfer has not been raised on appeal.

[2] To prove a trademark infringement claim, a plaintiff must show that it has a valid, protectable mark and that there is a likelihood of confusion between its mark and the defendant's mark. *See Bd. of Supervisors for La. State Univ. Agric. & Mech. Coll. v. Smack Apparel Co., 550 F.3d 465, 476 (5th Cir. 2008), petition for cert. filed*, 77 U.S.L.W. 3562 (U.S. Mar. 23, 2009). A mark that has received incontestable status "cannot be challenged . . . for mere descriptiveness, or on the basis that the mark lacks secondary meaning." *Sunrise Jewelry Mfg. Corp. v. Fred S.A.*, 175 F.3d 1322, 1324 (Fed. Cir. 1999).

initially losing a trademark infringement action, without more, should prevent the application of collateral estoppel. The district court explained, "B&B cites no authority for the proposition that incontestability makes any difference where a prior judgment otherwise bars a subsequent infringement action." In reaching this outcome, the district court relied upon the Fifth Circuit's decision in *Test Masters Educational Services, Inc. v. Singh,* 428 F.3d 559 (5th Cir. 2005) (*Test Masters*), holding that, "[t]he only recognized exception to issue preclusion for trademark infringement is a material change in the trademark's strength over an extended period of time" and that "mere passage of time as a factor [does not] permit[] relitigation of a previously failed claim." The district court held B&B's claims were barred by collateral estoppel, reasoning that "B&B's reliance on the incontestability of its mark as a basis for denying the application of preclusion lacks persuasive authority." The district court concluded that the 2000 jury verdict, which held for Hargis on B&B's prior trademark infringement claim, was entitled to preclusive effect and that application of collateral estoppel was appropriate. The district court granted Hargis's motion to dismiss the complaint.

At the time of the dismissal order, the district court was unaware that the TTAB had sustained B&B's opposition to Hargis's request to register its "Sealtite" mark because of the likelihood of confusion with B&B's "Sealtight" mark. B&B sought reconsideration of the district court's dismissal order and attached the TTAB ruling to its motion to reconsider. In denying the motion to reconsider, the

district court held "the decision of the TTAB is not entitled to preclusive effect . . . and does not create an exception to permit relitigation of trademark infringement." Further, the district court noted that the TTAB decision "was not submitted until after entry of judgment when it could have been brought to the Court's attention before the motion to dismiss was granted."

On appeal, B&B argues the district court erred in granting the motion to dismiss on collateral estoppel grounds. B&B also contends the district court should have given deference to the decisions of the TTAB that (1) B&B's "Sealtight" registration could not be attacked on grounds of descriptiveness because Hargis's challenge was not timely made and (2) the prior district court decision did not address the issue of likelihood of confusion.

II.

"This court reviews de novo the grant of a motion to dismiss for failure to state a claim under Federal Rule of Civil Procedure 12(b)(6)." *Levy v. Ohl*, 477 F.3d 988, 991 (8th Cir. 2007). In conducting this review, we "assume[] as true all factual allegations of the complaint." Id To survive dismissal, the complaint must allege "only enough facts to state a claim to relief that is plausible on its face." *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544, 570 (2007). We also review the applicability of collateral estoppel, a question of law, de novo. *Morse v. Comm'r*, 419 F.3d 829, 833 (8th Cir. 2005).

The district court determined that B&B's trademark infringement claim was barred by the doctrine of collateral estoppel or issue preclusion.

> In the Eighth Circuit, issue preclusion has five elements: "(1) the party sought to be precluded in the second suit must have been a party, or in privity with a party, to the original lawsuit; (2) the issue sought to be precluded must be the same as the issue involved in the prior action; (3) the issue sought to be precluded must have been actually litigated in the prior action; (4) the issue sought to be precluded must have been determined by a valid and final judgment; and (5) the determination in the prior action must have been essential to the prior judgment."

Robinette v. Jones, 476 F.3d 585, 589 (8th Cir. 2007) (*quoting Anderson v. Genuine Parts Co.*, 128 F.3d 1267, 1273 (8th Cir. 1997)).

According to B&B, the current action should not be barred by application of the doctrine of collateral estoppel. B&B contends the jury in the prior action did not reach the question of likelihood of confusion because it held instead that B&B's "Sealtight" mark was merely descriptive and had not acquired a secondary meaning. B&B argues, therefore, that the issues raised in this action are not the same as those involved in the prior action; that the question of likelihood of confusion was not actually determined in the prior action; that no valid and final judgment has been entered on the question of likelihood of confusion; and that a decision on the question of likelihood of confusion was not necessary to the prior judgment.

In granting the motion to dismiss on collateral estoppel grounds, the district court found the reasoning of the Fifth Circuit in *Test Masters* to be "compelling and controlling." In *Test Masters*, after the Fifth Circuit reversed the district court's denial of defendant's motion for judgment as a matter of law on the issue of secondary meaning, the plaintiff filed a new complaint raising essentially the same claims as the prior complaint. 428 F.3d at 568-69. However, the plaintiff's claims in the second action were based only on the facts surrounding the plaintiff's mark arising since the dismissal of the prior action. *Id.* The plaintiff sought the opportunity to relitigate the question of whether its mark had obtained a secondary meaning because the new claim involved different operative facts. *Id* at 571. The Fifth Circuit rejected this attempt, holding that "[the plaintiff] ha[d] not alleged a significant intervening factual change . . . that would suggest that there has been a change in the minds of the public" sufficient to result in a different outcome on the issue of whether his mark had obtained a secondary meaning. *Id* at 576. As the district court noted, Test Masters rejected "mere passage of time" as the only factor permitting relitigation of a previous claim, requiring instead that a plaintiff demonstrate a "significant intervening factual change."

Test Masters does not address the question of how a change in the validity of a mark from contestable to incontestable should impact the application of collateral estoppel. The court in *Test Masters* stated, "[t]he determination of whether a mark has secondary meaning depends on dynamic factual

scenarios that will necessarily vary from case to case. The thrust of our holding is that [the plaintiff] has not alleged in his pleadings any significant intervening factual change." *Id* at 575. "Because he has not alleged a significant intervening factual change, we find that our previous holding [that the mark had not acquired a secondary meaning] bars [the plaintiff's] current claim." *Id* at 576. Here, we are not concerned with the mere passage of time. Instead, we are faced with a question of whether a change in a mark's validity from contestable to incontestable bars application of collateral estoppel. We hold that this constitutes a significant intervening factual change, and, therefore, application of collateral estoppel is inappropriate.

In considering the requirements for applying collateral estoppel, there is no disagreement that the parties involved in the prior litigation and this action are identical. The question turns on whether the issue litigated *and decided* in the prior action is the same as the issue presented in this action. *See Robinette*, 476 F.3d at 589.

To prove a trademark infringement claim, a plaintiff must show that it has a valid, protectable mark and that there is a likelihood of confusion between its mark and the defendant's mark. *See Bd. of Supervisors for La. State Univ. Agric. & Mech. Coll. v. Smack Apparel Co.*, 550 F.3d 465, 474 (5th Cir. 2008) ("To prevail on their trademark infringement claim, the plaintiffs must show two things. First, they must establish ownership in a legally protectable mark, and second, they must show infringement by demonstrating a likelihood of

confusion."), *petition for cert. filed*, 77 U.S.L.W. 3562 (U.S. Mar. 23, 2009). To demonstrate that the mark is valid and protectable, a plaintiff must establish, in the case of a descriptive mark, that its mark has acquired a secondary meaning. A plaintiff does so by showing that through "long and exclusive use in the sale of the user's goods, the mark has become so associated in the public mind with such goods that the mark serves to identify the source of the goods and to distinguish them from those of others." *Aromatique, Inc. v. Gold Seal, Inc.*, 28 F.3d 863, 870 (8th Cir.1994) (*citing Co-Rect Prods., Inc. v. Marvy! Adver. Photography, Inc.*, 780 F.2d 1324, 1330 (8th Cir. 1985)). A court, in determining whether a likelihood of confusion exists, considers: "(1) the strength of the trademark; (2) the similarity between the plaintiff's and defendant's marks; (3) the competitive proximity of the parties' products; (4) the alleged infringer's intent to confuse the public; (5) evidence of any actual confusion; and (6) the degree of care reasonably expected of the plaintiff's potential customers." *Anheuser-Busch, Inc. v. Balducci Publ'ns*, 28 F.3d 769, 774 (8th Cir. 1994) (*citing SquirtCo v. Seven-Up Co.*, 628 F.2d 1086, 1091 (8th Cir. 1987)). Because a plaintiff is required to prove different elements in establishing a descriptive mark's validity than in proving likelihood of confusion, these are distinct issues for purposes of applying collateral estoppel.

Hargis does not dispute that B&B's "Sealtight" mark is now incontestable. *See* 15 U.S.C. § 1065 (after five years of continuous use, owner of registered trademark may obtain incontestable status by filing affidavit that certain statutory

requirements have been met). Once a mark becomes incontestable, it "cannot be challenged . . . for mere descriptiveness, or on the basis that the mark lacks secondary meaning." *Sunrise Jewelry Mfg. Corp. v. Fred S.A.*, 175 F.3d 1322, 1324 (Fed. Cir. 1999); *accord Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 205 (1985) (holding that an alleged infringer may not argue that an incontestable mark is merely descriptive).

In the prior action, the jury determined only that B&B's mark was descriptive and had not obtained a secondary meaning. With this determination, there was no need to address the second element of a trademark infringement claim-whether there was a likelihood of confusion between the two marks. While the issue of likelihood of confusion may have been involved and litigated in the prior action, it was not finally decided or essential to the prior judgment. According to the court's directions, the jury was instructed as follows: "If you found that the term "Sealtight" was merely descriptive in Interrogatory No. 1 and had not acquired secondary meaning prior to January 1, 1992, in Interrogatory Nos. 2 and 3, your duties are completed and you need not proceed any further." The jury did not reach the subsequent interrogatories that addressed likelihood of confusion and whether there was actual confusion. Accordingly, it is not appropriate to apply collateral estoppel to the current trademark infringement action because the jury in the prior litigation never determined the likelihood of confusion issue, a different and distinct issue from whether the mark was valid and protectable.

Hargis's reliance on Federal Rule of Civil Procedure 49, an argument raised for the first time in this appeal, is misplaced. Rule 49(a)(3) states:

> ***Issues Not Submitted.*** A party waives the right to a jury trial on any issue of fact raised by the pleadings or evidence but not submitted to the jury unless, before the jury retires, the party demands its submission to the jury. If the party does not demand submission, the court may make a finding on the issue. If the court makes no finding, it is considered to have made a finding consistent with its judgment on the special verdict.

Fed. R. Civ. P. 49(a)(3). Hargis argues that, because B&B did not demand that the jury address the issue of likelihood of confusion or object to the conditional instruction on the verdict form, we are required to read the lack of an answer to be consistent with the jury's determination that there is no trademark infringement. Under this argument, Hargis would have us read the lack of an answer to be a determination by the jury that there was no likelihood of confusion. This reading of Rule 49(a)(3) is wholly without merit.[3] Here the question of

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[3] The cases cited by Hargis to support this argument are distinguishable because the cases involve situations where the issue was never presented to a jury. In AG Systems, Inc. v. United Decorative Plastics Corp., the plaintiff failed to make a demand, as contemplated by Rule 49(a)(3), that the issue be submitted to the jury, and thus the plaintiff waived the right to raise the omission as error on appeal. 55 F.3d 970, 973-74 (4th Cir. 1995). In Fredonia Broadcasting Corp. v. RCA Corp., the defendant failed to raise an objection to a question the district court erroneously omitted, however the failure to object resulted in a waiver on appeal and the district court was

likelihood of confusion was presented to the jury and would have resulted in a determination by the jury had resolution of the issue been necessary for a final judgment. As it was not necessary, the jury did not address it. Rule 49(a)(3)'s waiver provision, which applies where the issue is not submitted to the jury, is not applicable in this situation.

Finally, in light of our decision to reverse the district court, we decline to address B&B's argument that the district court should have given preclusive effect to the decisions of the TTAB. B&B requests that we give preclusive effect to two decisions made by the TTAB: first, that B&B's "Sealtight" registration could not be attacked on grounds of descriptiveness because Hargis's challenge was not timely made and, second, TTAB's finding that the prior district court decision did not address the issue of likelihood of confusion.[4] It is unnecessary, in view of our conclusion that application of collateral estoppel based on the 2000 jury verdict is inappropriate, to address whether the district court should have given deference to the decisions of the TTAB.

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deemed to have decided the question in accordance with the judgment. 481 F.2d 781, 796 (5th Cir. 1973).

[4] It is clear that B&B intends to assert that the TTAB's determination made in 2007 that there is a likelihood of confusion between the two marks should be given preclusive effect by the district court on the claim of trademark infringement. B&B acknowledges, however, that such argument "may best be saved for another day."

III.

Accordingly, we reverse the district court's grant of dismissal and remand this matter for further proceedings.

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF ARKANSAS
WESTERN DIVISION

B&B HARDWARE, INC. PLAINTIFF

VS. Case No. 4:06-CV-01654 SWW

HARGIS INDUSTRIES, INC., d/b/a SEALTITE BUILDING FASTENERS, and d/b/a EAST TEXAS FASTENERS, A TEXAS CORPORATION DEFENDANT

PLAINTIFF'S MOTION FOR SUMMARY JUDGMENT

Plaintiff, B&B Hardware, Inc. ("B&B"), by and through its attorneys, Rose Law Firm, a Professional Association, for its Motion for Summary Judgment, states as follows:

1. Pursuant to Federal Rule of Civil Procedure 56, B&B is entitled to summary judgment on its claims of infringement of its federal trademark for "Sealtight" because there is no genuine issue of material fact and B&B is entitled to judgment as a matter of law.

2. Defendant, Hargis Industries, Inc., d/b/a Sealtite Building Fasteners, and d/b/a East Texas Fasteners has adopted the mark "Sealtite," which is the substantially similar to B&B's registered "Sealtight"® mark.

3. B&B owns the "Sealtight"® mark by virtue of its valid federal trademark registration for that

mark. *See White River Resort v. Rush*, 701 F. Supp. 1431, 1437 (W.D. Ark. 1988) ("the evidence and the fact of registration establishes the fact that [Plaintiffs] is a strong, distinctive mark."). B&B's mark was granted incontestable status by the PTO on September 26, 2006. This incontestable status is "conclusive evidence of the registrant's exclusive right to use the mark in commerce or in connection with the goods or services specified." 15 U.S.C. § 1065. Therefore, B&B's "Sealtight" mark cannot be challenged on the grounds that it is merely descriptive. *See Park 'n Fly v. Dollar Park & Fly*, 469 U.S. 189 (1985).

4. The Trademark Trial and Appeals Board (TTAB), an agency with fact finding procedures that approximate those of a court, has issued an opinion that should be given preclusive effect. *See Flavor Corp. of Am. v. Kemin Indus., Inc.*, 493 F.2d 275 (8th Cir. 1974). On August 23, 2007, the TTAB refused to register Hargis's "Sealtite" mark because of a likelihood of confusion with B&B's "Sealtight" mark.

5. Hargis's use of the "Sealtite" mark is likely to cause confusion or mistake with B&B's "Sealtight" mark, or to deceive potential consumers. *See Squirtco v. Seven-Up*, 628 F.2d 1086, 1091 (8th Cir. 1980) (quoting Lanham Act, 15 U.S.C. § 1114(1), 1127).

6. The defenses of *res judicata* and collateral estoppel are not available to Hargis because the Eighth Circuit has previously ruled that such defenses are not applicable in this case.

7. Hargis may not assert the defense of descriptiveness because B&B's "Sealtight"® mark has now attained incontestability status, and therefore it can no longer be challenged on the ground that the mark is merely descriptive. *See* 15 U.S.C. § 1065.

8. Hargis cannot assert any genuine issue of material fact; and B&B is entitled to summary judgment on its claim of trademark infringement.

9. This Motion is supported by the accompanying Brief and the following exhibits:

Exhibit 1: Affidavit of Larry Bogatz

Exhibit 2: Excerpts from the 2010 Deposition of Bruce Crouch

Exhibit 3: Excerpts from Deposition of Joe Hargis

Exhibit 4: Filed under seal (financial information)

Exhibit 5: Hargis's Trademark Application

Exhibit 6: Office Action refusing registration

Exhibit 7: Petition to Cancel

Exhibit 8: July 1, 2002 TTAB Order

Exhibit 9: June 13, 2003 TTAB Order

Exhibit 10: Opposition Proceeding Order

Exhibit 11: August 28, 2007 Opposition Proceeding Final Order

Exhibit 12: Excerpts from the 2006 Deposition of Bruce Crouch

Exhibit 13: Excerpts from Deposition of Molly Richard

Exhibit 14: Request for Quotation from Meco and Website Inquiry

Exhibit 15: Excerpts from Deposition of Maria Robles

Exhibit 16: Excerpts of Deposition of Terri Carlton

WHEREFORE, Plaintiff, B&B Hardware, Inc., respectfully requests this Court dismiss Hargis's defenses of *res judicata*, collateral estoppel, and descriptiveness; grant B&B's Motion for Summary Judgment on its trademark infringement claim; and grant B&B all other relief to which it may be entitled.

[Signature block omitted]

[Index and Exhibits 1-4, 7, and 12-15 omitted]
[Exhibit 11 is reprinted in the Petition Appendix]

69462-9 TRADEMARK

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

APPLICATION FOR TRADEMARK REGISTRATION

In re Trademark Application of:

SEALTITE BUILDING FASTENERS

Int. Class: 6

Mark: **SEALTITE**

TO THE ASSISTANT COMMISSIONER FOR TRADEMARKS:

S I R:

SEALTITE BUILDING FASTENERS, a corporation duly organized under the laws of the States of Texas whose place of business is 6357 Reynolds Road, Tyler, Texas 75712.

The above-identified applicant has adopted and is using the trademark shown in the accompanying drawing in commerce on or in connection with the following goods:

SELF-PIERCING AND SELF-DRILLING METAL SCREWS FOR USE IN THE MANUFACTURE OF METAL AND POST-FRAME BUILDINGS

and requests that said mark be registered in the United States Patent and Trademark Office on the Principal Register established by the Act of July 5, 1946.

The mark was first used in connection with the goods on June 20, 1989, was first used in interstate commerce on June 20, 1989, and is now in use in such commerce.

The mark is used by printing it on packaging for the goods and in other ways customary to the trade, and three specimens showing the mark as actually used are presented herewith.

POWER OF ATTORNEY

Applicant hereby appoints Walter D. Ames, Robert J. Lasker, Lawrence R. Radanovic, Richard H. Tushin, Barth X. deRosa, Donald H. Huff, John P, DeLuca, Richard C. Harris, William A. Knoeller, James B. Ledbetter, Thomas P. Pavelko, James A. Poulos III, and Anthony P. Venturino, all members of the Bar and attorneys with the firm of Watson Cole Stevens Davis, P.L.L.C., 1400 K street, N.W., Suite 1000, Washington, DC 20005, as its attorneys to prosecute this application to register, to transact all business in the Patent and Trademark Office in connection therewith, and to receive the certificate of registration.

DECLARATION

JOE A. HARGIS hereby declares that he is Chief Executive Officer of the above-identified applicant corporation and is authorized to execute this

Declaration on behalf of said corporation; he believes said corporation to be the owner of the mark sought to be registered; to the best of his knowledge and belief no other person, firm, corporation, or. association has the right to use said mark in commerce, either in the identical form or in such near resemblance thereto as to be likely, when applied to the goods of such other person, to cause confusion, or to cause mistake, or to deceive; that all statements made herein of his own knowledge are true and all statements made on information and belief are believed to be true; and further that these statements were made with the knowledge that willful false statements and the like so made are punishable by fine or imprisonment, or both, under Section 1001 of Title 18 of the United States Code, and that such willful false statements may jeopardize the validity of this application or document or any registration resulting therefrom.

SEALTITE BUILDING
FASTENERS

BY_____
Joe A. Hargis, Chief Executive
Officer

Date: June ___, 1996

July 2, 1996

Commissioner of Patents and Trademarks
Washington, DC 20231

Sir:

We attach hereto the following documents on behalf of: Name: SealTite Building Fasteners

Trademark: SEALTITE

Trademark Application (1 Class) $245.00

If any discrepancies, please charge our Deposit Account No. 23-0576,

Respectfully submitted,

WATSON COLE STEVENS
DAVIS, P.L.L.C.

By_____
Walter D. Ames

Attachments:

NEW TRADEMARK APPLICATION
DRAWING
SPECIMENS (3)

TRADEMARK APPLICATION SERIAL NO. 75129229

U.S. DEPARTMENT OF COMMERCE

PATENT AND TRADEMARK OFFICE FEE

RECORD SHEET

UNITED STATES DEPARTMENT OF COMMERCE
Patent and Trademark Office

SERIAL NO.	APPLICANT
75/129229 SEALTITE BUILDING FASTENERS	
MARK SEALTITE	
ADDRESS Walter D. Ames Watson Cole Stevens Davis, P.L.L.C 1400 K Street N.W., Suite 1000 Washington, DC 20005	ACTION NO. 01
	MAILING DATE 12/24/96
	REF. NO.

A PROPER RESPONSE TO THIS OFFICE ACTION MUST BE RECEIVED WITHIN 6 MONTHS FROM THE DATE OF THIS ACTION IN ORDER TO AVOID ABANDONMENT. *For your convenience and to ensure proper handling of your response, a label has been enclosed. Please attach it to the upper right corner of your response. If the label is not enclosed, print or type the Trademark Law Office No., Serial No., and, Mark in the upper right corner of your response.*

RE: Serial Number: 75/129229

The assigned examining attorney has reviewed the referenced application and determined the following.

Likelihood of Confusion:

The examining attorney refuses registration under Trademark Act Section 2(d), 15 U.S.C. Section 1052(d), because the applicant's mark, when used on or in connection with the identified goods, so resembles the mark in U.S. Registration No. 1797509 as to be likely to cause confusion, to cause mistake, or to deceive. TMEP section 1207. See the enclosed registration.

The examining attorney must analyze each case in two steps to determine whether there is a likelihood of confusion. First, the examining attorney must look at the marks themselves for similarities in appearance, sound, connotation and commercial impression. *In re E. I. DuPont de Nemours & Co.*, 476 F.2d 1357, 177 USPQ 563 (CCPA 1973). Second, the examining attorney must compare the goods or services to determine if they are related or if the activities surrounding their marketing are such mat confusion as to origin is likely *In re August Storck KG*, 218 USPQ 823 (TTAB 1983); *In re International Telephone and Telegraph Corp.*, 197 USPQ 910 (TTAB 1978); *Guardian Products Co., v. Scott Paper Co.*, 200 USPQ 738 (TTAB 1978).

In the first stage of the analysis, the examining attorney must compare the marks for similarities in sound, appearance, meaning or connotation. *In re E. I. DuPont de Nemours & Co.*, 476 F.2d 1357, 177 USPQ 563 (CCPA 1973). Similarity in any one of these elements is sufficient to find a likelihood of confusion. *In re Mack*, 197 USPQ 755 (TTAB 1977). The test of likelihood of confusion is not whether the marks can be distinguished when subjected to a side-

by-side comparison. The applicant applied to register the mark 'SEALTITE' for "self-piercing and self-drilling metal screws for use in the manufacture of metal and post-frame buildings." The registered mark is 'SEALTIGHT' for "threaded or unthreaded metal fasteners and other related hardware, namely, self-sealing nuts, bolts, screws, rivets, and washers, all having a captive O-ring, for use in the aerospace industry." The examining, attorney must look at the marks in their entireties under Section 2(d), one feature of a mark may be recognized as more significant in creating a commercial impression. Greater weight is given to that dominant feature in determining whether there is a likelihood of confusion. *In re National Data Corp.*, 224 USPQ 749 (Fed. Cir. 1985) *Tektronix, Inc. v. Daktronics, Inc.*, 534 F.2d 915, 189 USPQ 693 (CCPA 1976) *In re J.M. Originals Inc.*, 6 USPQ2d 1393 (TTAB 1988). The marks are essentially phonetic equivalents. Similarity in sound alone is sufficient to find a likelihood of confusion *Molenaar, Inc. v. Happy Toys Inc.*, 188 USPQ. 469 (TTAB 1975); *In re Cresco Mfg. Co.*,138 USPQ 401 (TTAB 1963). Thus applicant's mark is confusingly similar to the registered mark.

If the marks of the respective parties are highly similar, the examining attorney must consider the commercial relationship between the goods or services of the respective parties carefully to determine whether there is a likelihood of confusion. *In re Concordia International Forwarding Corp.*, 222 USPQ 355 (TTAB 1983). The goods of the parties need not be identical or directly competitive to find a likelihood of confusion. They need only be related in some manner, or the conditions surrounding their

marketing be such, that they could be encountered by the same purchasers under circumstances that could give rise to the mistaken belief that the goods come from a common source. *In re Martin's Famous Pastry Shoppe, Inc.*, 748 F.2d 1565, 223 USPQ 1289 (Fed. Cir. 1984); *In re Corning Glass Works*, 229 USPQ 65 (TTAB 1985) *In re Rexel Inc.*, 223 USPQ 830 (TTAB 1984); *Guardian Products Co., Inc. v. Scott Paper Co.*, 200 USPQ 738 (TTAB 1978); *In re International Telephone & Telegraph Corp.*, 197 USPQ 910 (TTAB 1978). However, in this instance, the applicant's goods are identical to the registrant's goods. Applicant's goods and registrant's goods are both types of screws and fasteners. Therefore the examining attorney refuses registration of the applicant's mark under Section 2(d), 15 U.S.C. 1052 (d), because the mark is highly similar to a registered mark and the goods are also identical.

The applicant should also note the following additional ground for refusal.

Descriptive Refusal – Section 2(e)(1)

The examining attorney refuses registration on the Principal Register because the proposed mark merely describes the goods. Trademark Act Section 2(e)(1), 15 U.S.C. Section 1052(e)(1); TMEP section 1209 *et seq*. A mark is merely descriptive under Trademark Act Section 2(e)(1), 15 U.S.C. 1052(e)(1), if it describes an ingredient, quality, characteristic, function, feature, purpose or use of the relevant services. *In re Gyulay*, 820 F.2d 1216, 3 USPQ2d 1009 (Fed. Cir, 1987) *In re Bed & Breakfast Registry*, 791 F.2d 157, 229 USPQ 818 (Fed, Cir. 1986) *In re MetPath Inc.*, 223 USPQ 88 (TTAB 1984); *In re*

Bright-Crest, Ltd., 204 USPQ 591 (TTAB 1979); TMEP section 1209.01(b).

The examining attorney must consider whether a mark is merely descriptive in relation to the identified services, not in the abstract. *In re Omaha National Corp.*, 819 F.2d 1117, 2 USPQ2d 1859 (Fed. Cir. 1987); *In re Abcor Development Corp.*, 588 F.2d 811, 200 USPQ 215 (CCPA 1978); *In re Venture Lending Associates*, 226 USPQ 285 (TTAB 1985). The applicant applied to register the mark 'SEALTITE' for a specialized screw. The purpose of the screw is to seal two connecting parts tightly together, hence the wording is descriptive of the purpose of applicant's goods. Hence applicant's mark is refused registration under Trademark Act Section 2(e)(1).

Although the examining attorney has refused registration, the applicant may respond to the refusal to register by submitting evidence and arguments in support of registration.

General Information:

If the applicant has any questions or needs assistance in responding to this Office action, please telephone the assigned examining attorney.

Won T. Oh
Examining Attorney
Law Office 104, (703) 308-9104 Ext. 176

*For your convenience, the **Trademark Status Line (703) 305-8747** has been established for immediate case status inquiry. This service is available Monday*

through Friday from 6:30 a.m. until Midnight Eastern time.

*** User: EX99406 *** Serial Number: 74056236 ***

Word Mark

SEALTIGHT

Pseudo Mark

Seal Tight

Goods/Services

IC 006; US 013; G & S: threaded or unTHREADED METAL FASTENERS AND OTHER RELATED HARDWARD; NAMELY, SELF-SEALING NUTS, BOLTS, SCREWS, RIVETS AND WASHERS, ALL HAVING A CAPTIVE O-RING, FOR USE IN THE AEROSPACE INDUSTRY; FIRST USE DATE: 1990.05.02; FIRST USE IN COMMERCE: 1990.05.05

Mark Drawing Code

(1) TYPED DRAWING

Serial Number

74-056236

Filing Date

1990.05.07

Registration Number

1797509

Registration Date

1993.10.12

Owner Name/Address

(REGISTRANT) BOGATZ, LARRY JOSEPH DBA B&B Hardware INDIVIDUAL UNITED STATES 11 CORONADO COVE MAUMELLE ARKANSAS 721136101

Type of Mark

TRADEMARK

Register

PRINCIPAL

*** Search: 8 *** Document Number: 4 ***

UNITED STATES PATENT AND TRADEMARK OFFICE
Trademark Trial and Appeal Board
2900 Crystal Drive Arlington, Virginia 22202-3513

Greenbaum

Cancellation No. 26,016

Sealtite Building Fasteners

v.

Larry Joseph Bogatz d/b/a B&B Hardware and B&B Hardware, Inc., joined as party defendant[1]

Before Quinn, Hairston and Rogers, Administrative Trademark Judges.

By the Board.

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[1] Respondent recorded the assignment of the involved registration in the Assignment Division of the PTO Office of Public Records on August 19, 1999, Reel 1949/Frame 0882. Inasmuch as the involved registration was assigned after the present proceeding commenced, B&B Hardware, Inc. is joined as a party defendant. See authorities cited in TBMP Section 512.01.

Now ready for consideration are several communications from the parties, which we construe as cross-motions for summary judgment.

As background for the construed motions, on June 2, 1998, respondent's successor-in-interest, B&B Hardware, Inc. ("B&B"), filed a complaint in the U.S. District Court for the Eastern District of Arkansas, Western Division, against Hargis Industries, Inc., d/b/a Sealtite Building Fasteners ("Hargis").[2] B&B based the complaint in the civil action on several grounds, including infringement of the mark SEALTIGHT, U.S. Registration No. 1,797,509, the subject of the instant cancellation proceeding.[3] Hargis pleaded several defenses, including that the mark SEALTIGHT was merely descriptive of the goods identified in the registration, and had not acquired secondary meaning.

Following a jury trial in the civil action, the judge entered a "Judgment on Jury Verdict" on May 18, 2000. The judgment held that B&B's mark SEALTIGHT was merely descriptive and that it had not acquired secondary meaning. The judge concurrently dismissed the civil action with prejudice.

B&B appealed to the U.S. Court of Appeals for the Eighth Circuit. On June 11, 2001, the Court of

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[2] In the second amended petition, discussed *infra*, petitioner identified itself as a wholly owned division of Hargis Industries, Inc., a Texas corporation.

[3] Registration No. 1,797,509 issued October 12, 1993. Section 8 affidavit accepted.

Appeals affirmed the trial court's judgment.[4] B&B did not file a petition for rehearing or rehearing *en banc*, and did not file a petition for issuance of a writ of certiorari in the U.S. Supreme Court.

The Board resumed proceedings at petitioner's request by order dated December 6, 2001.[5] In that order, the Board noted that the decision in the civil action had no preclusive effect on this cancellation proceeding because the amended petition to cancel set forth claims of abandonment and likelihood of confusion, but did not include a claim of descriptiveness. Accordingly, the Board allowed petitioner until January 5, 2002 to file a second amended pleading that set forth a claim of descriptiveness under Section 2 (e)(1) of the Trademark Act, or to submit a stipulation that dismissed this proceeding.

Petitioner submitted a second amended petition to cancel on December 26, 2001, based on the preclusive effect of the decision in the civil action with regard to the descriptiveness of respondent's mark. Specifically, after reciting in more detail the events discussed above, the second amended complaint makes the following allegation in paragraph 11:

> [a]s a consequence, a Court of proper jurisdiction in an action between the petitioner and respondent here has by final decision held that respondents' mark SEALTIGHT is merely

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[4] We note that neither the district court nor the appellate court ordered the Board to cancel the involved registration.

[5] The Board suspended this proceeding on December 9, 1998, pending a final determination in the civil action.

descriptive and has not acquired secondary meaning. That holding is adverse to respondents' right to maintain the mark on the Register under 15 U.S.C. 1065, and is *res judicata* between petitioner and respondent here.

On December 28, 2001, respondent filed a "communication" in response to the December 6, 2001 Board order, which communication seeks to dismiss the petition to cancel because the involved mark 'became incontestable during the pendency of the instant proceeding, among other things. Petitioner filed a response thereto on January 11, 2002, which requests that we grant the petition to cancel because the issue of descriptiveness is *res judicata*.[6]

Because both parties seek judgment in their favor on the issues raised in their respective "communications," because the parties have fully briefed the issues, and because the parties essentially have treated the communications as motions for summary judgment, we construe the communications as cross-motions for summary judgment without need for further briefing on the

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[6] In our discretion, we have considered both parties' replies. See Trademark Rule 2.127(a). In addition, we note that the second amended pleading sets forth a well pleaded allegation of *res judicata* based on the resolution of the descriptiveness issue in the civil action. In the interests of equity and justice, the December 6, 2001 order is modified to allow petitioner to assert *res judicata* based on resolution of the descriptiveness issue in the civil action.

issues raised therein.[7] See authorities cited in TBMP Section 52 8.04

As grounds for respondent's summary judgment motion, respondent alleges that: "the SEALTIGHT mark was registered on October 12, 1993," and "has been in use since 1990 and has remained in continuous use through the present"; "by statute, a petition to cancel a registration based on an allegation of mere descriptiveness must be filed within five-years of the date of registration"; petitioner "did not raise the issue of mere descriptiveness as a grounds for cancellation of the SEALTIGHT registration prior to the five-year anniversary of that registration"; "since the issue of descriptiveness was not pleaded by [petitioner] prior to the five-year anniversary date (either before the Board or in the Arkansas case), [petitioner] is barred from now raising that issue"; "the Lanham Act provides that a registered mark is prima facie evidence of the registrant's exclusive right to use the mark"; "such a mark becomes incontestable if it has been in continuous use for five consecutive years subsequent to its registration and is still in use"; "once a mark is incontestable, 'its registration shall

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[7] Although petitioner's testimony period opened several years ago for a short period, and we ordinarily would deny as untimely a summary judgment motion that was filed after petitioner's testimony period had opened, we have exercised our discretion to so construe these papers because petitioner's summary judgment motion involves both claim preclusion and issue preclusion. *See Lukens Inc. v. Vesper Corp.*, 1 USPQ2d 1299, 1300 fn. 2 (TTAB 1986), *aff'd unpublished opinion*, 87-1187 (September 18, 1987); *see also Foodland, Inc. v. Foodtown Super Markets, Inc.*, 138 USPQ 591, 593 (TTAB 1963), and TBMP Section 528.02.

be conclusive evidence ... of the registrant's exclusive right to use the registered mark'"; petitioner "did not raise the issue of descriptiveness in any context until mid-1999, almost six years after registration was granted," and, therefore, "the mark is incontestable and the registration is conclusive evidence of B&B's 'exclusive right to use' the mark."[8]

In response, petitioner maintains that the involved registration is not incontestable because petitioner filed the petition to cancel on March 5, 1997, approximately 2% years after the registration issued, and that respondent therefore never was in a position to meet one of the necessary requirements for incontestability under Section 15, i.e., respondent never was able to assert at least five continuous years of use of the registered mark subsequent to registration, and that there are no proceedings involving the registration not finally decided.

In addition, as grounds for the cross-motion for summary judgment, petitioner alleges that issue preclusion applies because the issue of mere descriptiveness was tried, and a jury rendered a

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[8] It appears that petitioner's second amended petition to cancel crossed in the mail with respondent's construed summary judgment motion. Thus, respondent makes additional arguments that pertain to the grounds set forth in the earlier versions of the petition to cancel, but which do not pertain to the second amended petition to cancel. As a party may not seek summary judgment on an unpleaded issue, and because we accept the second amended petition for reasons discussed hereinafter, respondent's summary judgment motion is denied to the extent that it seeks summary judgment on the issues of priority and abandonment, which are not raised by the second amended petition. See Fed. R. Civ. P. 56, and authorities cited in TBMP Section 528.07(a).

verdict thereon, in the civil action. Petitioner further alleges that claim preclusion applies because the judge in the civil action dismissed the case. with prejudice. In response, respondent maintains that because petitioner, as defendant in the civil action, "did not raise the issue of mere descriptiveness as a ground for cancellation of the SEALTIGHT registration prior to the five-year anniversary of the registration," said issue was not properly before the U.S. District Court in Arkansas, and, accordingly, the District Court "did not have jurisdiction to consider the issue of mere descriptiveness." Respondent further maintains that "because the Arkansas Court did not have jurisdiction to consider the issue, the decision reached by the jury has no preclusive effect."[9]

A party is entitled to summary judgment when it has demonstrated that there are no genuine issues as to any material facts, and that it is entitled to judgment as a matter of law. Fed. R. Civ. P. 56(c). The evidence must be viewed in a light favorable to the nonmoving party, and all justifiable inferences are to be drawn in the nonmovant's favor. *Opryland USA Inc. v. The Great American Music Show, Inc.*, 970 F.2d 847, 23 USPQ2d 1471 (Fed. Cir. 1992).

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[9] We note that respondent raised this argument in abridged form in a footnote in its summary judgment motion. We also note that respondent contends that the claim of mere descriptiveness cannot "relate back" to the original grounds for cancellation under Fed. R. Civ. P. 15(c). Inasmuch as we accept the second amended pleading for reasons discussed hereinafter, without need to relate the amended pleading to the earlier pleading, respondent's argument is irrelevant and will be given no further consideration.

We turn first to respondent's motion for summary judgment, which raises issues related to whether filing a petition to cancel a registration tolls the five-year period for determining the grounds on which a cancellation action may be brought under Section 14 of the Lanham Act. We note in passing, however, respondent's great reliance on the "incontestability" of its mark. Respondent has never filed an affidavit or declaration of incontestability with the Office. Therefore, respondent's claim that its mark is incontestable is in error. More importantly, the issue is one of tolling, rather than whether respondent's mark is incontestable.

In this regard, we note that the grounds on which a cancellation action may be brought under Section 14 are limited five years subsequent to the date of registration of the mark, regardless of whether the respondent has filed for incontestability under Section 15. *Id.* However, the Board has never addressed the related issue of whether the filing of a petition to cancel a registration, filed within five years of the issuance of the registration, tolls the running of the five-year period for purposes of determining what grounds for cancellation exist under Section 14.

We consistently have held that in situations where a plaintiff files a notice of opposition or a petition to cancel before the five-year anniversary of plaintiff's pleaded registration, such filing tolls the time for the defendant to file a counterclaim to cancel plaintiff's pleaded registration. *See Willimson-Dickie Manufacturing Co. v. Mann Overall Company*, 359 F.2d 450, 149 USPQ 518 (CCPA 1966); *UMC*

Industries, Inc. v. UMC Electronics Co., 207 USPQ 861 (TTAB 1980); *Humble Oil & Refining Co. v. Sekisui Chemical Company Ltd. of Japan*, 165 USPQ 597 (TTAB 1970); and *Sunbeam Corp. v. Duro Metal Products Co.*, 106 USPQ 385 (Comm'r 1955). Similarly, we have held that an amendment of an application to a concurrent use application, before the five-year anniversary of the registrations which registrant named as exceptions in the concurrent use application, tolls the running of the five-year incontestability period for registrant's registrations with regard to applicant's concurrent rights. *See Arman's Systems, Inc. v. Armand's Subway, Inc.*, 215 USPQ 1048 (TTAB 1982);

We now extend this principle, and conclude that the filing of a cancellation petition tolls the five-year period with regard to additional grounds for cancellation of a defendant's registration under Section 14, if the plaintiff was unaware of the existence of the basis for the additional grounds when the plaintiff filed the petition to cancel, or if the plaintiff was aware of the possibility of additional grounds when the plaintiff filed the petition to cancel, but could not, in good faith and pursuant to the requirements Fed. R. Civ. P. 11, plead the additional grounds until a later date.

Of course, as with any motion to amend a pleading, a party which learns of grounds for a new claim cannot delay too long before raising the claim. *See* Fed. R. Civ. P. 15(a); *Hilson Research Inc. v. Society for Human Resource Management*, 27 USPQ2d 1423 (TTAB 1993).; and *Trans Union Corp. v. Trans Leasing International*, 2 00 USPQ 74 8 (TTAB 1978).

In this regard, we note that when respondent filed the motion to suspend this proceeding in June 199 8, respondent's discovery responses to petitioner were still outstanding. However, instead of responding to the outstanding discovery, respondent filed a civil action, and moved to suspend this case. We further note that in September 1998, the Board entered judgment in favor of petitioner, and in December 1998, the Board set aside that, judgment and suspended this proceeding pending a final determination of the civil action. In short, we do not find plaintiff to have unduly delayed in raising, before us, the issue of descriptiveness. Before the events of June 1998 through December 1998 transpired, discovery was not complete, and trial had not yet commenced. During the ensuing civil action, the issue of descriptiveness was fully aired.[10] We have no basis on which to find that petitioner, prior to the civil action, and still waiting for discovery from respondent, unduly delayed seeking to amend its pleading.

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[10] The district court apparently allowed Hargis, as defendant in the civil action, to raise an affirmative defense of descriptiveness, rather than require the issue to be addressed in a counterclaim. The Board typically would require a defendant to raise the issue of descriptiveness as a counterclaim, or else bar consideration of that issue as a collateral attack on the registration. To the extent respondent's argument that the district court lacked subject matter jurisdiction is rooted in this discrepancy between the district court's approach and the standard Board approach, we simply will not consider the argument, as respondent should have raised the issue of the district court's jurisdiction with the district court, rather than with the Board.

Accordingly, we accept the second amended petition to cancel, and deny respondent's motion for summary judgment.

We turn next to petitioner's cross-motion for summary judgment. Petitioner bases its cross-motion on the doctrine of *res judicata* because of the final decision on the merits in federal court, adverse to respondent as plaintiff therein, regarding the mere descriptiveness of respondent's mark. The cross-motion also relies on the assertion of descriptiveness in the second amended petition to cancel, so that there is an identity of issues between this case and the civil action.

Under the doctrine of claim preclusion, the entry of a final judgment "on the merits" of a claim (or cause of action) in a proceeding will preclude the relitigation of the same claim in a later proceeding that involves the same parties or their privies. Claim preclusion extends to those claims or defenses that were, or could have been, raised in the prior action. *See Jet, Inc. v. Sewage Aeration Systems*, 223 F.3d 1360, 55 USPQ2d 1854 (Fed. Cir. 2000), *reh'g and reh'g en banc* denied, 2000 U.S. App. LEXIS 26699 (Fed. Cir. 2000); *Flowers Industries Inc. v. Interstate Brands Corp.*, 5 USPQ2d 1580 TTAB 1987); and *Chromalloy American Corp. v. Kenneth Gordon, Ltd.*, 736 F.2d 694, 222 USPQ 187 (Fed. Cir. 1984).

Claim preclusion ordinarily does not apply between Board cases and civil actions, as the claims raised in each venue differ. *See Treadwell's Drifters Inc. v. Marshak*, 18 USPQ2d 1318, 1321 (TTAB 1990). Moreover, even if this were not so, claim preclusion

would not apply in this case. Petitioner, as defendant in the civil action, only raised the issues of descriptiveness and lack of secondary meaning as affirmative defenses, and did not assert them as counterclaims against respondent, as plaintiff in the civil action. Thus, petitioner did not pursue a claim in the civil action, and the principles of claim preclusion simply do not apply. Therefore, if the judgment in the prior proceedings has any preclusive effect on the issues of descriptiveness and lack of secondary meaning in this case, the effect must be one of issue preclusion.

Under the doctrine of issue preclusion, issues which are actually and necessarily determined by a court of competent jurisdiction are normally conclusive in a subsequent suit involving the parties to the prior litigation. *See Mother's Restaurant, Inc. v. Mama's Pizza, Inc.*, 723 F.2d 1566, 221 USPQ 394 (Fed. Cir. 1983); and *International Order of Job's Daughters v. Lindeburg & Co.*, 727 F.2d 1087, 220 USPQ 1017 (Fed. Cir. 1984). Issue preclusion may be invoked against a party to the prior action unless it appears that the party against whom the doctrine is asserted did not have a full and fair opportunity to litigate the issue, or unless the court finds that it is otherwise unfair to permit the use of estoppel. *See Perma Ceram Enterprises Inc. v. Preco Industries Ltd.*, 23 USPQ2d 1134 (TT/AB 1992).

Because the parties in the civil action are the same as, or successors in interest to, the parties in this cancellation proceeding, and because in the civil action, the parties litigated the issues of whether respondent's involved mark is merely descriptive,

and, if so, whether it has attained secondary meaning, the principles of issue preclusion apply in this case. We therefore find that there are no material issues of fact that remain to be resolved in this case, and that petitioner is entitled to judgment as a matter of law.

Accordingly, petitioner's cross-motion for summary judgment is granted, judgment is hereby entered against respondent, the petition for cancellation is granted, and Registration No. 1,797,509 will be cancelled in due course.

UNITED STATES PATENT AND TRADEMARK OFFICE
Trademark Trial and Appeal Board
2900 Crystal Drive Arlington, Virginia 22202-3513

Cancellation No.
92/26016

Sealtite Building
Fasteners

v.

Larry Joseph Bogatz
d/b/a B&B Hardware,
and B&B Hardware, Inc.,
joined as party defendant

Before Quinn, Hairston and Rogers,
Administrative Trademark Judges.

Rogers, Administrative Trademark Judge:

By our order dated July 1, 2002, we allowed plaintiff, over defendant's objections, to amend the petition for cancellation; construed each party's request that judgment be entered in its favor as a motion for summary judgment; and granted summary judgment in plaintiff's favor on the ground of issue preclusion, in view of a prior determination by a federal district court, upheld on appeal, that the mark in defendant's involved registration is descriptive and has not acquired distinctiveness. Defendant now seeks reconsideration of that decision.

In briefing defendant's request for reconsideration, defendant filed a reply brief and plaintiff filed a "rebuttal" brief in response to the reply brief. Because Trademark Rule 2.127(a) states that no further papers beyond a reply brief will be considered in regard to any pending motion, plaintiff's "rebuttal" has not been considered.

In briefing the issues raised by the constructive cross motions for summary judgment considered in our last order, defendant had argued against application of issue preclusion in this case. Specifically, defendant had argued that the federal district court that determined respondent's registered mark is descriptive and devoid of acquired distinctiveness did not have jurisdiction to consider that issue. We noted that defendant should have raised the question of subject matter jurisdiction with the district court, not with the Board. Thus, we did not consider the argument. In the current request for reconsideration, defendant does not contest our application of issue preclusion. Defendant does, however, contest our granting of plaintiff's motion to amend its petition for cancellation to substitute, for its original likelihood of confusion and abandonment claims, the claim that defendant's mark is descriptive and devoid of acquired distinctiveness, and that res judicata -- in this instance, issue preclusion -requires cancellation of defendant's registration.

Defendant's argument against allowing plaintiff to substitute the new claim was that, by allowing it we would be allowing plaintiff to pursue a descriptiveness claim after defendant's registration

had turned five years old. We disagreed with that conclusion and allowed the claim on the theory that the five-year deadline for filing a descriptiveness claim would not apply when a petition was filed prior to the five-year anniversary of issuance of the registration and one of two conditions was satisfied. Specifically, the conditions are (1) that the basis for the proposed new or additional claim was not known to the plaintiff until after discovery was taken in the proceeding, or (2) that the basis for the claim, while suspected, could not under Federal Rule 11 be pleaded until the basis for it was confirmed through taking of discovery.

In the decision defendant seeks to set aside, we noted, based on the facts then before us, that plaintiff had not obtained discovery responses before defendant moved to suspend this case while it pursued, in the federal district court, an infringement claim against plaintiff. Therefore, we concluded, plaintiff had not had an opportunity to learn, prior to the lengthy suspension for the civil action, whether there was good basis for a descriptiveness claim. It appeared to us that the descriptiveness issue was not fully explored except in the civil action, and that plaintiff, upon dismissal of the civil action and filing of its request to resume proceedings herein, promptly sought to raise the claim before the Board.

By defendant's request for reconsideration, defendant has demonstrated that plaintiff's counsel in fact did have sound basis for pleading descriptiveness when the original petition was filed. Thus, plaintiff would not meet either of the two

conditions we set out that would effect a tolling of the five-year bar to raising a descriptiveness claim. It would not satisfy the first condition because that contemplates no knowledge whatsoever of the basis for the claim, and clearly plaintiff had knowledge of the basis for the descriptiveness claim when it filed its original petition. It would also not satisfy the second, alternative condition, insofar as having *actual knowledge* that a claim could be pleaded precludes the possibility that one may only have a *suspicion* that a claim may be pleaded but defer pleading the claim until after discovery is taken because of the shadow of Federal Rule 11.

Plaintiff, in its response to the request for reconsideration, essentially argues that it did not have knowledge of the basis for the descriptiveness claim, although it appears to acknowledge that it had at least the suspicion of the basis for such claim. Thus, plaintiff attempts to justify its late pleading of the claim by resort to the second alternative we posited, i.e., that while it suspected the basis for raising a descriptiveness claim, it could not, consonant with Federal Rule 11, do so until it had discovery. This argument, however, is unavailing, as defendant noted in its request for reconsideration that defendant had, in fact, responded to discovery requests prior to defendant's registration reaching its five-year anniversary, so that any question plaintiff had about its ability to plead the descriptiveness claim could have been resolved prior to the deadline. In its response to the request for reconsideration, plaintiff does not deny the contention that it had received responses to its discovery requests. In any event, we find the

showing by defendant convincing that plaintiff actually knew the basis for bringing a descriptiveness claim when it filed the original petition but likely chose not to do so. We divine no support for plaintiff's contention that it deferred raising the descriptiveness claim out of concern that doing so would have made plaintiff subject to possible sanctions under Federal Rule 11 for abusive pleading.

The request for reconsideration is granted. Our previous order is set aside, plaintiff's attempt to assert a descriptiveness claim is disallowed, and the petition for cancellation is dismissed. Lest plaintiff argue that we have, by this decision, failed to accord due consideration to the federal district court's determination that defendant's mark is descriptive and without acquired distinctiveness, we note that plaintiff, as defendant in the civil action, did not press a counterclaim against our defendant's registration, and the court did not, pursuant to Section 3 7 of the Lanham Act, order the registration cancelled. Without a Section 3 7 order from the court to the Commissioner directing cancellation of the registration, and in the absence of any ability by plaintiff to pursue a descriptiveness claim in this case, application of issue preclusion will not allow the plaintiff to obtain what the court did not itself order. Again, the petition for cancellation is dismissed.

UNITED STATES PATENT AND TRADEMARK OFFICE
Trademark Trial and Appeal Board
2900 Crystal Drive Arlington, Virginia 22202-3513

DUNN

Opposition No. 91155687

B & B Hardware, Inc.[1]

August 6, 2004

v.

Sealtite Building Fasteners

Before Quinn, Hairston, and Rogers, Administrative Trademark Judges.

By the Board:

On February 28, 2003, B & B Hardware, Inc. [B & B] filed a notice of opposition to application Serial No. 75129229[2] on the ground that applicant's mark SEALTITE when used on its "self-piercing and self-drilling metal screws for use in the manufacture of metal and post-frame buildings" so resembles opposer's previously registered mark SEALTIGHT for "threaded or unthreaded metal fasteners and

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[1] The assignment of opposer's pleaded Registration No. 1797509 from Larry Joseph Bogatz d/b/a B & B Hardware to B & B Hardware, Inc. is recorded with the U. S. Patent and Trademark Office Assignment Branch at Reel 1949, Frame 0882. Opposer is advised to use the case title shown above on future filings.

[2] Application Serial No. 75129229, filed July 2, 1996, sets forth February 1992 as its date of first use, and first use in commerce.

other related hardware; namely, self-sealing nuts, bolts, screws, rivets and washers, all having a captive o-ring, for use in the aerospace industry" (Registration No. 1797509[3]) as to be likely to cause confusion.

This case comes before the Board on applicant's motion for summary judgment, filed May 22, 2003[4], on the ground that the district court's decision in a prior civil action between these parties should be given preclusive effect. The motion has been fully briefed.

Preliminarily, we note that opposer's response to applicant's motion for summary judgment was accompanied by a motion to amend the notice of opposition to add allegations regarding opposer's use of its pleaded mark as a trade name (par. 2), and the new ground for opposition that applicant's mark is merely descriptive (par. 17-22). No opposition thereto has been received from applicant. Accordingly, the motion to amend the notice of opposition is hereby granted as conceded. See Trademark Rules 2.127(a).

Background

On March 5, 1997, Sealtite Building Fasteners [SBF] filed a petition to cancel B & B's Registration No. 1797509 (relied upon by opposer in this case) for the mark SEALTIGHT on the ground of

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[3] Registration No. 1797509, issued October 12, 1993 and renewed March 19, 2004, sets forth May 2, 1990 as its date of first use, and May 5, 1990 as its date of first use in commerce.

[4] The delay in acting upon this matter is regretted.

abandonment. The Board instituted Cancellation No. 92026016. The petition to cancel was subsequently amended to add a claim of priority and likelihood of confusion.

On June 2, 1998, B & B filed a complaint in the U.S. District Court for the Eastern District of Arkansas, Western Division against the parent company of SBF alleging, inter alia, trademark infringement of Registration No. 1797509. The parent company of SBF pleaded several defenses, including that B & B's mark SEALTIGHT was merely descriptive of the goods identified in the registration, and had not acquired secondary meaning. On December 9, 1998, the Board suspended proceedings in Cancellation No. 92026016, pending a final determination in the civil action.

On May 18, 2000, following a jury trial, the district court held that B & B1s mark SEALTIGHT was merely descriptive of the goods and had not acquired secondary meaning, and dismissed the civil action with prejudice. The jury did not make findings as to trademark infringement. On June 11, 2001, the Court of Appeals for the Eighth Circuit affirmed the trial court's judgment. Neither the district court nor the appellate court ordered the Board to cancel B & B's Registration No. 1797509.

In a December 6, 2001 order, the Board resumed proceedings in Cancellation No. 92 02 6 016, but noted that the decision in the civil action had no preclusive effect because the amended petition to cancel set forth claims of abandonment and likelihood of confusion, but did not include a claim of

descriptiveness. Initially, the Board allowed petitioner SBF to file a further amended pleading with a descriptiveness claim, and granted summary judgment for petitioner. However, on June 13, 2003, the Board granted B & B's request for reconsideration, setting aside the decision to allow further amendment of the pleading and, consequently, the grant of summary judgment on that pleading. The Board found that Registration No. 1797509 had issued in 1993, more than five years earlier, and that SBF's actions had not tolled the five-year statutory limit on seeking cancellation of a registration based on mere descriptiveness. Accordingly, the Board set aside its prior order, disallowed SBF's amendment adding the descriptiveness claim, and dismissed the petition to cancel.[5]

Motion For Summary Judgment

The Board now takes up the question of whether applicant SBF is entitled to summary judgment on the pleaded issue of likelihood of confusion based on the district court's dismissal of opposer B & B's trademark infringement action.

The Board notes that SBF's motion for summary judgment was filed May 22, 2003, when the Board's order in Cancellation No. 92026016 granting cancellation of B & B's pleaded Registration No. 1797509 was still in effect. SBF's motion for summary judgment is based in part on the anticipated cancellation of the pleaded registration.

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[5] SBF did not request reconsideration of the dismissal of the petition or file an appeal from that decision.

As set forth above, the Board's subsequent June 13, 2 0 03 order in Cancellation No. 92026016 granted B & B's request for reconsideration, with the result that the grant of the petition to cancel was set aside, and Registration No. 1797509 remains in effect.

The Board also notes that SBF is barred from bringing a counterclaim herein to cancel B & B's pleaded Registration No. 1797509, which issued in 1993, on the ground that the SEALTIGHT mark is merely descriptive. Under Trademark Act Section 14, mere descriptiveness is not a ground for cancellation by the Board of a registration which issued more than five years prior to the filing of the petition to cancel.[6]

Thus, the issue to be decided in applicant's motion for summary judgment is whether the district court's judgment dismissing the trademark infringement action can be given preclusive effect in this opposition based on likelihood of confusion.

Under the doctrine of claim preclusion, "a judgment on the merits in a prior suit bars a second suit involving the same parties or their privies based on the same cause of action." *Parklane Hosiery Co. v. Shore*, 43 9 U.S. 322, 326 n. 5, 99 S. Ct. 645, 58 L. Ed. 2d 552 (1979); *Jet Inc. v. Sewage Aeration Systems*, 223 F.3d 1360, 55 USPQ2d 1854 (Fed. Cir. 2000). The second suit will be barred by claim

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[6] While Trademark Act Section 37 does not place similar strictures on the courts' ability to order cancellation of a registration, SBF did not seek cancellation of B & B's registration by the district court, and neither the district court nor the appellate court (which affirmed the district court) ordered cancellation.

preclusion if: (1) there is identity of parties (or their privies); (2) there has been an earlier final judgment on the merits of a claim; and (3) the second claim is based on the same set of transactional facts as the first. *Jet Inc. v. Sewage Aeration Systems*, at 1362.

In this case, the parties are identical or in privity in both actions, and the infringement litigation resulted in a valid final judgment on the merits, insofar as no infringement was found because B & B's mark was found descriptive and unprotectable. However, it is well settled that the transactional facts of a civil action for trademark infringement are not the same as those of an opposition proceeding which involves a determination of the right to register. *American Hygienic Laboratories, Inc. v. Tiffany & Co.*, 228 USPQ 855 (TTAB 1986); Treadwell's Drifters, Inc. v. Marshak, 18 USPQ2d 1318 (TTAB 1990). The doctrine of claim preclusion therefore is inapplicable here.

As to issue preclusion, "[w]hen an issue of fact or law is actually litigated and determined by a valid and final judgment, and the determination is essential to the judgment, the determination is conclusive in a subsequent action between the parties, whether in the same or a different claim". Restatement (Second) of Judgments §27 (1982). *See also Mother's Restaurant, Inc. v. Mama's Pizza, Inc.*, 723 F.2d 1566, 221 USPQ 394 (Fed. Cir. 1983). The district court case was dismissed because the court found that the term SEALTIGHT was merely descriptive and without acquired distinctiveness. The district court made no findings on the likelihood of confusion issues involved in a trademark

infringement case, e.g., similarity of the marks, similarity of the goods, instances of actual confusion, etc. Thus, the only determination essential to the district court's judgment was the determination of mere descriptiveness, which is not at issue in this proceeding. Plainly, the doctrine of issue preclusion is inapplicable.

Conclusion

After careful review of the record and the applicable law, the Board finds that the district court's final decision in the earlier proceeding between the parties did not address either the same claims or any of the issues that are presented by B & B's opposition, and yields no preclusive effect in this opposition. Applicant's motion for summary judgment is denied. Fed. R. Civ. P. 56(c).

Applicant is allowed until 30 days from the mailing date of this order to file its answer to the amended notice of opposition.

Discovery and trial dates are reset as follows:

DISCOVERY to close	**February 1, 2005**
30-day testimony period for party in position of plaintiff to close:	**May 2, 2005**
30-day testimony period for party in position of defendant to close:	**July 11, 2005**
15-day rebuttal testimony period for	**August 15, 2005**

In each instance, a copy of the transcript of testimony together with copies of documentary exhibits, must be served on the adverse party within thirty days after completion of the taking of testimony. Trademark Rule 2.125.

Briefs shall be filed in accordance with Trademark Rule 2.128(a) and (b). An oral hearing will be set only upon request filed as provided by Trademark Rule 2.12 9.

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IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF ARKANSAS
WESTERN DIVISION

B&B HARDWARE, INC. PLAINTIFF

Case No. 4:06-CV-01654
SWW

VS.

HARGIS INDUSTRIES, INC., d/b/a SEALTITE BUILDING FASTENERS, and d/b/a EAST TEXAS FASTENERS, A TEXAS CORPORATION DEFENDANT

PLAINTIFF'S BRIEF IN SUPPORT OF MOTION FOR SUMMARY JUDGMENT

Plaintiff B&B Hardware, Inc. ("B&B") submits this Brief in support of its Motion for Summary Judgment. Plaintiff's motion should be granted as a matter of law because there are no genuine issues of material fact.

INTRODUCTION

Plaintiff has brought this motion because, as asserted herein, it believes that the evidence presented unequivocally shows that Hargis' use of "Sealtite" has infringed upon B&B's registered trademark for "Sealtight"®. The TTAB has already found that there is a likelihood of confusion between the marks of these two parties. The Court should

defer to the TTAB decision, or at a minimum, give reasonable weight to it. In the latter situation, the TTAB decision on likelihood of confusion combined with the undisputed evidence presented herein should dictate a finding of trademark infringement as a matter of law. B&B also asks the Court to dismiss Hargis' defenses of res judicata, collateral estoppel and descriptiveness.

FACTUAL BACKGROUND

In February 1990, B&B first began using the "Sealtight"® name in connection with its products. B&B filed an application to register "Sealtight"® with the United States Patent and Trademark Office ("PTO") in May 1990. The PTO approved B&B's application and registered B&B's "Sealtight"® trademark on the Principal Register, Registration No. 1,797,509, for threaded and unthreaded metal fasteners and related hardware including nuts, bolts, and washers on October 12, 1993. *See* B&B's Registration No. 1,797,509, attached as Exhibit A to the Affidavit of Larry Bogatz, which is attached to the accompanying Motion as Exhibit 1.

Sealtite Building Fasteners ("SBF") is a division of defendant Hargis Industries, Inc. ("Hargis").[1] Hargis has sold fasteners branded as "Sealtite" since January 1992. There is no dispute that B&B's use of "Sealtight"® predates Hargis's use of "Sealtite." *See* Deposition of Bruce Crouch, March 10, 2010, at 151, excerpts of which are attached to the accompanying Motion as Exhibit 2; Deposition of Joe Hargis, March

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[1] For purposes of this motion and brief, Plaintiff will use SBF and Hargis interchangeably.

19, 2010, at 25, excerpts of which are attached to the accompanying Motion as Exhibit 3.

B&B has been continuously using its mark "Sealtight"® since 1990. See Affidavit of Larry Bogatz, Exhibit 1. B&B has spent substantial dollars every year on advertising and promotions for its "Sealtight"® products. B&B's yearly advertising/promotion expenditures as well as its gross sales are attached as Exhibit D to the Affidavit of Bogatz (Exhibit 1 to the accompanying Motion) (this exhibit is being filed under seal). In contrast, Hargis's sales and advertising expenditures have grown to be substantially larger than B&B's sales. *See* Exhibit 4, which is being filed under seal.

The parties to this action have a long and intertwined history. In 1996, Hargis filed an application with the PTO in an attempt to register the trademark "Sealtite," relating to Hargis's line of self-drilling and self-tapping screws and other fasteners that are frequently used to construct metal buildings.[2] See Hargis's trademark application, attached to the accompanying Motion as Exhibit 5. The PTO refused to register Hargis's "Sealtite" mark because the examining attorney found that there was a likelihood of confusion between Hargis's "Sealtite" application and B&B's "Sealtight"® trademark. *See* Office Action refusing registration, attached to the accompanying Motion as Exhibit 6. Hargis then, in 1997, filed a petition with the Trademark Trial and

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[2] In its application for the mark "Sealtite," Hargis erroneously stated that its first use date was 1989 when in fact is was 1992. *See* Dep. of Joe Hargis, Exhibit 3, at 25; Hargis trademark application, Exhibit 5.

Appeal Board ("TTAB") to cancel the registration of B&B's "Sealtight"® trademark. *See* Petition to Cancel, attached to the accompany Motion as Exhibit 7.[3]

B&B subsequently filed a complaint in the Eastern District of Arkansas against Hargis, alleging trademark infringement under the Lanham Act, common law trademark infringement, fraud, deceptive trade practices, and breach of contract. While the TTAB initially entered an order cancelling B&B's "Sealtight"® trademark, it reinstated the trademark pending the resolution of the Arkansas lawsuit. In an eleven to one decision, the jury found that the term "Sealtight"® was merely descriptive and that it had not acquired secondary meaning. Hargis did not request, and the district court did not order, that B&B's mark be cancelled.

After the verdict and subsequent appeal, in December 2001, Hargis requested that the TTAB resume the proceedings regarding cancellation of B&B's mark (the "Cancellation Proceeding"). The TTAB granted Hargis's motion for summary judgment in July 2002, temporarily cancelling B&B's registration. Order dated July 1, 2002, attached to the accompanying Motion as Exhibit 8. At the request of B&B, however, the TTAB reconsidered its decision and thereafter set aside the grant of summary judgment in favor of Hargis. Order dated

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[3] In its Petition to Cancel, Hargis initially sought to cancel the B&B registered trademark based upon an erroneous allegation of first use. *See* Petition to Cancel, Exhibit 7; Dep. of Joe Hargis, Exhibit 3, at 25.

June 13, 2003, attached to the accompanying Motion as Exhibit 9.

Hargis also made an attempt—albeit an unsuccessful one—to register its "Sealtite" mark during the short time period that B&B's registration was cancelled. However, in February 2003 (approximately four months prior to the TTAB's setting aside of the summary judgment it had previously granted to Hargis), B&B filed a notice of opposition (the "Opposition Proceeding"). On May 22, 2003—still before the TTAB's reversal of the grant of summary judgment—Hargis moved for summary judgment on the issue of likelihood of confusion in the Opposition Proceeding. Hargis argued that the Arkansas district court decision should be given preclusive effect. On February 13, 2003, as mentioned above, the TTAB granted reconsideration to B&B in the Cancellation Proceeding and set aside its previous order which had cancelled B&B's "Sealtight"® trademark registration. Instead, Hargis's petition to cancel the "Sealtight"® mark was dismissed.

In August 2004, Hargis's motion for summary judgment in the Opposition Proceeding, in which Hargis attempted to register its own "Sealtite" mark, was denied. Opposition Proceeding Order, attached as Exhibit 10 to the accompanying Motion. The TTAB found that the civil judgment of the Arkansas district court had no preclusive effect on the TTAB proceeding because there were no claims or issues that were even similar between the district court matter and the inter partes proceedings. The TTAB held that the district court in Arkansas had made no

findings on likelihood of confusion. Instead, the only determination essential to the district court's judgment was the determination of mere descriptiveness, which was not at issue in the Opposition Proceeding.

The TTAB also held that Hargis was barred in its attempt to cancel B&B's "Sealtight"® mark registration on the ground that the mark was merely descriptive. B&B's "Sealtight" ® mark had been registered for more than five years before the issue of descriptiveness was first raised by Hargis, and the time frame to properly raise this issue had passed. B&B's "Sealtight"® mark is now incontestable. Opposition Proceeding Order, Exhibit 10, at 4.

In March 2006, Hargis conceded that Fastenal, a customer common to both B&B and Hargis, had repeatedly attempted to purchase B&B products from Hargis for a considerable amount of time. Opposition Proceeding Final Order dated August 28, 2007, attached to the accompanying Motion as Exhibit 11; 2010 Dep. of Bruce Crouch, at 227-239, Exhibit 2; 2010 Dep. of Joe Hargis, at 74-75, Exhibit 3; *see* also Complaint ¶ 34; 2006 Deposition of Bruce Crouch, at 55-59, excerpts of which are attached to the accompanying Motion as Exhibit 12.

In August 2006, B&B filed the present action in the United States District Court for the Central District of California alleging trademark infringement, unfair competition under both U.S. and California law, trademark dilution, and false designation of origin. *See* Complaint at 8-12. In September 2006, Defendant Hargis moved to dismiss the action on the basis of *res judicata*. See

September 21, 2006 Motion to Dismiss at 4. B&B filed a response, and Hargis then filed a reply, which added an argument of dismissal based on collateral estoppel. Although B&B alleged that California was the proper venue for the action because B&B's headquarters are located there, the district court in California transferred the matter to the Eastern District of Arkansas based, at least in part, on the fact that prior litigation had occurred in Arkansas. *See* September 30, 2006 Transfer Order. After the transfer,[4] this Court asked for supplemental briefs on the issues of deference and incontestability, which the parties filed. After receipt of the parties' supplemental briefs, the Court granted Hargis's Motion to Dismiss on the basis of collateral estoppel.[5] At the time the Order in the present case was entered, the Court had not seen the final decision of the TTAB in the Opposition Proceeding. *See* Opposition Proceeding Final Order, Exhibit 11. After many hours of testimony and a thorough examination of all of the elements of likelihood of confusion, the TTAB rendered a decision that not only was there likelihood of confusion with regard to Hargis's usage of the "Sealtite" mark, but actual confusion had occurred. *See id.* This decision was issued only days before this Court's Order was issued. In this decision, the TTAB sustained B&B's opposition and refused to register Hargis's "Sealtite" mark because of the likelihood of confusion with

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[4] B&B also moved the district court to retransfer the case back to California. The Court denied this motion.

[5] The Court also correctly found that *claim* preclusion does not apply to this case because B&B's claims involve alleged conduct occurring *after* the decision in the Arkansas case. Opposition Proceeding Final Order, Exhibit 11.

B&B's previously registered and incontestable "Sealtight"® mark. Opposition Proceeding Final Order.

After the TTAB's order, which refused to register Hargis's "Sealtite" mark, B&B filed a motion with the district court to reconsider the dismissal of B&B's action, presenting the TTAB's decision to the court for the first time. *See* September 27, 2007 Motion for Reconsideration. The district court denied B&B's motion to reconsider. *See* November 15, 2007 Order denying Motion for Reconsideration. Both parties appealed, and the Eighth Circuit reversed as to B&B's appeal and affirmed as to Hargis' appeal, holding that B&B's claim was not barred by claim preclusion or by issue preclusion.

SUMMARY JUDGMENT STANDARDS

The Federal Rules of Civil Procedure permit courts to grant summary judgment when there is no issue of material fact and the moving party is entitled to relief as a matter of law. Fed. R. Civ. P. 56. In evaluating motions for summary judgment, the trial judge's function is not to weigh the evidence and determine the truth of the matter, but to determine whether there are genuine issues for trial. *Quick v. Donaldson Co*, 90 F.3d 1372, 1376-77 (8th Cir. 1996); *Johnson v. Enron Corp.*, 906 F.2d 1234, 1237 (8th Cir. 1990). In reviewing the record, the court must view all the facts in the light most favorable to the nonmoving party and give that party the benefit of all reasonable inferences that can be drawn from the facts. *See Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 587, 89 L. Ed. 2d 538, 106 S. Ct. 1348 (1986); *Quick*, 90 F.3d at 1377.

Procedurally, the moving party bears "the initial responsibility of informing the district court of the basis for its motion and identifying those portions of the record which show lack of a genuine issue." *Hartnagel v. Norman*, 953 F.2d 394, 395 (8th Cir. 1992) (citing *Celotex Corp. v. Catrett*, 477 U.S. 317, 323, 91 L. Ed. 2d 265, 106 S. Ct. 2548 (1986)); *see also Rose-Maston v. NME Hosps., Inc.*, 133 F.3d 1104, 1107 (8th Cir. 1998); *Reed v. Woodruff County, Ark*, 7 F.3d 808, 810 (8th Cir. 1993).

When a moving party has carried its burden under Rule 56(c), the party opposing summary judgment is required under Rule 56(e) to go beyond the pleadings, and by affidavits, or by the "depositions, answers to interrogatories, and admissions on file," designate "specific facts showing that there is a genuine issue for trial." Fed. R. Civ. P. 56(e); *Celotex*, 477 U.S. at 324; *Rabushka ex. rel. United States v. Crane Co.*, 122 F.3d 559, 562 (8th Cir. 1997), *cert. denied*, 523 U.S. 1040, 140 L. Ed. 2d 498, 118 S. Ct. 1336 (1998); *McLaughlin v. Esselte Pendaflex Corp.*, 50 F.3d 507, 511 (8th Cir. 1995); *Beyerbach v. Sears*, 49 F.3d 1324, 1325 (8th Cir. 1995). An issue of material fact is "genuine" if it has a real basis in the record. *Hartnagel*, 953 F.2d at 394 (citing *Matsushita Elec. Indus. Co.*, 475 U.S. at 586-87). "Only disputes over facts that might affect the outcome of the suit under the governing law will properly preclude the entry of summary judgment," *i.e.*, are "material." *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248, 91 L. Ed. 2d 202, 106 S. Ct. 2505 (1986); *Beyerbach*, 49 F.3d at 1326; *Hartnagel*, 953 F.2d at 394. Although the inferences to be drawn from the underlying facts must be viewed in the light

most favorable to the party opposing the motion, *Matsushita*, 475 U.S. at 587, "[w]here the record taken as a whole could not lead a rational trier of fact to find for the non-moving party, there is no 'genuine issue for trial.'" *Id.* (citation omitted).

ARGUMENT

B&B asserts that summary judgment is appropriate in this case for several issues. First, as a matter of law, the Court should find that B&B's "Sealtight"® mark has been infringed by Hargis' use of the mark "Sealtite." Second, Hargis may not assert, as a matter of law, the defenses of res judicata and collateral estoppel. Furthermore, Hargis may not assert, as a matter of law, the defense of descriptiveness. Each of these issues will be discussed more indepthly.

I. Infringement of Federal Trademark

Plaintiff is entitled to summary judgment on its claims of infringement of its federal trademark for "Sealtight"®. Since there are no genuine issues of material fact with respect to these claims, the Court should grant Plaintiffs summary judgment motion.

Section 32 of the federal Lanham Act provides:

> Any person who shall, without the consent of the registrant -
>
> (a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with

> which such use is likely to cause confusion, or to cause mistake, or to deceive;
>
> ....
>
> shall be liable in a civil action by the registration for the remedies hereinafter provided.

15 U.S.C. § 1114. In other words, infringement occurs when another's use of the same or similar mark is "likely to cause confusion, or to cause mistake, or deceive." *See Squirtco v. Seven-Up Co.*, 628 F.2d 1086, 1091 (8th Cir. 1980) (quoting 15 U.S.C. §§ 1114(1), 1127).

In order to show that the Defendant has committed infringement, the Plaintiff must show (1) that it owns a valid mark and (2) that the defendant's use of the mark is likely to cause confusion. *See Board of Trustees v. Professional Therapy Servs., Inc.*, 873 F. Supp. 1280, 1285 (W.D. Ark. 1995); *see also Gaston's White River Resort v. Rush*, 701 F. Supp. 1431, 1435 (W.D. Ark. 1988). Plaintiff has established these issues as a matter of law.

A. Ownership of a Valid Mark.

By virtue of its valid federal trademark registration for "Sealtight"®, Plaintiff has established it ownership of a valid mark. When a mark is registered, the registration itself gives rise to a presumption of use and ownership. Under Section 33 of the Lanham Act, a federal registration on the principal register is "prima facie evidence of the validity of the registered mark and of the registration of the mark, of the registrant's

ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the registration . . . ." 15 U.S.C. § 1115. Thus, B&B's registration for "Sealtight"® constitutes prima face evidence of B&B's ownership of the mark and the validity of the registered mark and its registration.

After a mark has been registered for five years, it may achieve incontestability status. 15 U.S.C. § 1065. This is a matter of statutory law and simply requires an application for incontestability status, including the filing of an appropriate affidavit with the PTO after the mark has been in continuous use for five consecutive years subsequent to the registration of the mark. 15 U.S.C. § 1065. After B&B's "Sealtight"® mark had been registered for more than five years, B&B filed the necessary affidavit, and the PTO granted the mark incontestable status on September 26, 2006. *See* Acceptance of Incontestability Affidavit, attached as Exhibit C to the Affidavit of Larry Bogatz, which is attached to the accompanying Motion as Exhibit 1.

As a result, B&B is entitled to the evidentiary benefits of such status. 15 U.S.C. § 1065 provides:

> If the right to use the registered mark has become incontestable under [15 U.S.C. § 1065], the registration shall be conclusive evidence of . . . the registrant's exclusive right to use the registered mark in commerce . . . on or in connection with the goods or services specified in the affidavit filed under the provisions of said section.

Accordingly, the registration for B&B's "Sealtight"® mark is conclusive evidence of B&B's right to use the registered mark in commerce. Furthermore, because of its incontestability status, B&B's "Sealtight"® mark can no longer be challenged on the ground that it is merely descriptive. *Park 'n Fly v. Dollar Park & Fly*, 469 U.S. 189 (1985) (one cannot challenge the descriptiveness of a mark which is the subject of an incontestable registration). (*See* Opposition Proceeding Final Order.)

B. Likelihood of Confusion.

The second element of trademark infringement is whether there is a likelihood of confusion. Here, the question is whether the Defendant's unauthorized use of the mark "Sealtite" is likely to cause confusion to the consuming public. The courts in this circuit have historically applied the *Squirtco* factors to guide their likelihood of confusion analysis. *See Kemp v. Bumble Bee Seafoods, Inc.*, 398 F.3d 1049, 1054 (8th Cir. 2005). Likelihood of confusion can be shown in two different manners in this case. First, the Trademark Trial and Appeal Board ("TTAB") has already found that there is a likelihood of confusion between B&B's "Sealtight"® and Hargis' "Sealtite." The Court should give deference to this finding. In the alternative, the Court can apply the *Squirtco* likelihood of confusion factors and determine, as a matter of law, that there is in fact a likelihood of confusion in this case. If the Court declines to give deference to the TTAB opinion on likelihood of confusion and reaches this factor analysis, it should at a minimum find the TTAB opinion persuasive.

1. The Court Should Give Deference to the TTAB's Finding of a Likelihood of Confusion Between These Two Marks.

The Court should give appropriate deference to the Trademark Trial and Appeal Board's decision involving these same parties and same trademarks. See TTAB Opinion dated August 28, 2007, attached to the accompanying Motion as Exhibit 11. The TTAB's determinations were made after fact finding procedures approximating those of a court. Under Eighth Circuit authority, the district court should give preclusive effect to those findings.

The Eighth Circuit is one of the circuit courts of appeal to have given preclusive effect to the decisions of the TTAB.[6] The leading case on point is *Flavor Corp. of Am. v. Kemin Indus., Inc.*, 493 F.2d 275 (8th Cir. 1974). In *Flavor*, the district court found defendant Kemin Industries, Inc. ("Kemin") liable for infringement of plaintiff Flavor Corporation's ("Flavor") registered trademark, based on an earlier decision of the TTAB in a cancellation proceeding. *See Flavor Corp. of Am. v. Kemin Indus., Inc.*, 358 F.

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[6] Both the Seventh Circuit and the Third Circuit also have given preclusive effect to decisions of the TTAB. *See, e.g., EZ Loader Boat Trailers, Inc. v. Cox Trailers, Inc.*, 746 F.2d 375, 378 (7th Cir. 1984), in which the court held "[t]here is no question that the T.T.A.B. was acting in a judicial capacity. . . . Both parties to this appeal were represented by attorneys before the Board; both presented evidence and submitted briefs. Moreover, [the plaintiff] sought and obtained judicial review of the Board's conclusions." Similarly, in *Jean Alexander Cosmetics, Inc. v. L'Oreal USA, Inc.*, 458 F.3d 244 (3d Cir. 2006), *cert. denied*, 127 S. Ct. 1878 (2007), the Third Circuit gave preclusive effect to a TTAB decision on likelihood of confusion.

Supp. 1114, 1121 (D. Iowa 1973). The district court relied upon the rule that administrative determinations of factual questions rendered by bodies with fact finding procedures "which approximate those of a court," are binding, at least when affirmed by a statutory court. *Id.* at 1120. It also indicated that there was nothing in the record to suggest that the TTAB, the administrative body in question, had accepted, or decided on the basis of, evidence which would have been unacceptable to a court. *Id.*

Kemin appealed to the Eighth Circuit, arguing that it should not be collaterally estopped from challenging the decision of the TTAB in the subsequent civil litigation between the parties. The Eighth Circuit affirmed the district court's decision, holding that the factual determinations made by the TTAB, and later affirmed by the Court of Customs and Patent Appeals ("CCPA"),[7] were "precluded from relitigation in a subsequent infringement action between the same parties under the doctrine of collateral estoppel." *Flavor*, 493 F.2d at 281.

Hargis will no doubt attempt to limit the scope of the *Flavor* decision by arguing that it applies only to cases where TTAB decisions are appealed. Since it did not appeal the adverse decisions against it in either the Cancellation or the Opposition

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[7] Congress conferred Article III status upon the Court of Customs and Patent Appeals ("CCPA") in 1958. In 1982, the CCPA was replaced by the Court of Appeals for the Federal Circuit, another Article III court.

Proceedings,[8] Hargis will probably argue that the TTAB's decisions were not binding on the district court and, therefore, are not binding on this Court.[9]

This was the same argument made (and ultimately rejected) by the defendant in *Flavor*. There, defendant Kemin argued that the TTAB was just an administrative body and its decision, although appealed, was merely "rubber stamped" by the CCPA. *Flavor Corp.*, 358 F. Supp. at 1120 (D. Iowa 1973). The district court rejected that argument, holding:

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[8] Hargis had the option of appealing the decisions of the TTAB to the Court of Appeals for the Federal Circuit ("Federal Circuit") or to a United States District Court, as provided in 15 U.S.C. § 1071 (a) and (b). Section 1071 provides that any "party to [a TTAB proceeding] *who is dissatisfied*" with the decision of the Board may appeal (emphasis added). 15 U.S.C. § 1071; *see also Trademark Trial and Appeal Board Manual of Procedure* § 901.01 (2d ed. 2004); 37 C.F.R. § 2.145. Hargis had two months to file its appeal of each TTAB decision. 37 C.F.R. § 2.145(d). It did not.

[9] Moreover, refusing to give TTAB decisions preclusive effect simply because they are not appealed would circumvent the two-month deadline for appeals established by 15 U.S.C. § 1071. Congress specifically prescribed a time limit within which the decisions of the TTAB could be appealed. Allowing a party dissatisfied with a TTAB decision to obtain a *de novo* review of the issues decided years after the deadline would provide little incentive for any party to appeal within the statutory time period. Through inaction, rather than compliance with the statute, a party could preserve its *de novo* review right indefinitely. Hargis, in asking this Court to disregard the TTAB decisions, is seeking precisely that—a *de novo* review of its right to challenge the likelihood of confusion determination some three (3) years after the statutory deadline for such review had passed.

> [T]he fact that the specific issues of fact were determined by an administrative board does not in and of itself prevent the Board's holding from creating a collateral estoppel. If the decision is a factual matter and if it has been rendered by an agency with fact finding procedures which approximate those of a court, then preclusion should obtain. On the other hand, if the decision involves a special characteristic of administrative agencies, such as relaxed rules of evidence, then perhaps the determination should not be preclusive. Preclusive effect should be given only to those determinations which closely approximate the decisional process of courts.
>
> Nothing in the record indicates the Board used evidence which would not have been acceptable in the courts. I am of the opinion that the proceedings before the Trademark Trial and Appeal Board approximated the decisional process of courts and this Court is precluded from redetermining factual issues resolved therein followed by an appeal to the CCPA.

Id. (citations and internal quotations omitted).

Other cases have also given preclusive effect to TTAB decisions even in the absence of an appeal. In *Jean Alexander Cosmetics, Inc. v. L'Oreal USA, Inc.*, 458 F.3d 244, 246 (3d Cir. 2006), *cert denied*, 127 S. Ct. 1878 (2007), L'Oreal filed a petition in the TTAB to cancel Jean Alexander's trademark registration. The TTAB denied the petition to cancel, holding that there was no likelihood of confusion between the marks. *Id.* at 247. L'Oreal did not appeal this decision. *Id.* Jean Alexander subsequently filed a

complaint against L'Oreal alleging trademark infringement. *Id.* The district court dismissed the complaint, holding that the doctrine of issue preclusion prevented Jean Alexander from "relitigating likelihood of confusion and foreclosed its claim for trademark infringement" because likelihood of confusion had been litigated in the TTAB proceeding. *Id.* The Third Circuit affirmed the dismissal, recognizing that Jean Alexander could have appealed the TTAB's finding on likelihood of confusion if it had so chosen. *Id.* at 256.

In the current case, the fact finding procedures employed by the TTAB in the extensive proceedings between these parties clearly approximated those of a court. Among other things, the introduction of evidence before the TTAB is governed by the Federal Rules of Evidence and relevant portions of the Federal Rules of Civil Procedure.[10] Thus, consistent with the district court's reasoning in *Flavor*, because the TTAB is an agency with fact finding procedures which approximate those of a court (e.g., Federal Rules of Evidence), then *preclusion should obtain*.

Support for this conclusion can be found in several decisions of the U.S. Supreme Court. Even before *Flavor*, the U.S. Supreme Court indicated that findings in administrative proceedings, such as the TTAB's, will have collateral estoppel effect. *See United States v. Utah Constr. & Mining Co.*, 384 U.S. 394, 422 (1966), *superseded by statute on other grounds*. The indication was dicta, but the court took some pains to note that dicta, presumably

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[10] *Trademark Trial and Appeal Board Manual of Procedure* § 702 (2d ed. 2004).

because it contained views it wished to announce. In the *Utah Construction* case, the Court noted that "[w]hen an administrative agency is acting in a judicial capacity and resolved disputed issues of fact properly before it which the parties have had an adequate opportunity to litigate, the courts have not hesitated to apply *res judicata* to enforce repose." *Id.* This rationale has been applied to decisions involving the TTAB.[11]

At a minimum, Eighth Circuit authority requires the district court to show deference to the TTAB's decisions. Even if the Court is not inclined to give the findings of the TTAB preclusive effect outright, it should defer to such decisions unless the contrary is established by evidence that, in character and amount, carries "through with conviction." *See Noah's, Inc. v. Nark, Inc.*, 560 F. Supp. 1253, 1258 (E.D. Mo. 1983), *aff'd by* 728 F.2d 410 (8th Cir. 1984). This rule has its origins in the U.S. Supreme Court decision in *Morgan v. Daniels*,[12] in which the Court addressed a challenge to the PTO's

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[11] Citing specifically to the Eighth Circuit's decision in *Flavor*, McCarthy, the most respected treatise author on Trademark Law, states that "[s]ome courts will treat Trademark Board decisions as administrative judgments which carry full preclusive effect to adjudicated facts, if these are the same facts which are in issue in the later court proceeding." 6 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 32:97 (4th ed. 2010). McCarthy further notes that there are other courts that will not give preclusive effect but may give some weight to TTAB inter partes decisions. *See id.* § 32.98. McCarthy opines that the better view is to give preclusive effect to TTAB decisions "as long as the issues in the two cases are indeed identical and the other rules of collateral estoppel are carefully observed." *Id.* § 32.99.

[12] 153 U.S. 120 (1894).

determination of priority of invention. Relying on case law from a variety of other contexts, the Court held that the agency is entitled a unique standard of deference.[13]

In the Eighth Circuit, this rule has been applied to decisions of the TTAB. In *Noah's, Inc.*, the court held "that although the civil action before a district court is intended to be a trial *de novo* [under 15 U.S.C. § 1071], the decision of the Board must be accepted as controlling on issues of fact unless the contrary is established by testimony which in character and amount carries *through* [sic] *conviction.*" *Noah's*, 560 F. Supp. at 1258 (internal quotations omitted) (emphasis added). Applying this standard, the *Noah* court held that it was "*required to accept the factual findings of the agency*, the contrary of which the parties have failed to establish in an amount that carries through with conviction." *Id.* (emphasis added).

In the instant case, the TTAB has made several factual determinations relative to B&B's rights in the "Sealtight"® mark. Specifically, there are two TTAB decisions that are crucial in this case, and the district court should give preclusive effect, or at least deference, to both of those decisions.

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[13] "Upon principle and authority . . . it must be laid down as a rule that, where the question decided in the patent office is one between contesting parties as to priority of invention, the decision there made must be accepted as controlling upon that question of fact in any subsequent suit between the same parties, unless the contrary is established by testimony which in character and amount carries thorough conviction." *Morgan*, 153 U.S. at 125.

a. The TTAB Cancellation Proceeding

The first TTAB decision requiring preclusive effect or deference is the June 13, 2003 decision (the "Cancellation Proceeding"), wherein the TTAB set aside its previous order cancelling B&B's "Sealtight"® mark. *See* Cancellation Proceeding Order, dated June 13, 2003, attached to the accompanying Motion as Exhibit 9. In the Cancellation Proceeding, the TTAB made several factual determinations that are relevant to the present case. Specifically, the TTAB determined (1) that Hargis "*in fact* did have sound basis for pleading descriptiveness when the original petition was filed" but *chose not to do so* and (2) that Hargis "actually knew the basis for bringing a descriptiveness claim when it filed the original petition but likely *chose not to do so*." *Id.* (emphasis added). Hargis simply failed to meet the statutory five-year deadline and B&B's "Sealtight"® mark was already incontestable. Based on these findings, the TTAB disallowed Hargis's descriptiveness claim and reinstated B&B's "Sealtight"® registration on the Principal Register. The TTAB reconciled its decision with the May 2000 Arkansas district court judgment by noting:

> [Hargis] . . . did not press a counterclaim against [B&B's] registration, and the court did not, pursuant to Section 37 of the Lanham Act, order the registration cancelled. Without a Section 37 order from the court to the Commissioner directing cancellation of the registration, and in the absence of any ability of [Hargis] to pursue a descriptiveness claim in this case, *application of*

> *issue preclusion will not allow plaintiff to obtain what the court itself did not order.*

Id. (emphasis added). Thus, the May 2000 district court judgment notwithstanding, the TTAB conclusively determined that B&B's "Sealtight"® registration could not be attacked on grounds of descriptiveness because that challenge had not timely been made. Subsequent TTAB orders in a related proceeding between the parties affirmed this conclusion.

b. The TTAB Opposition Proceeding

The second set of TTAB decisions requiring preclusive effect or deference are those of August 4, 2004 and August 28, 2007, or the "Opposition Proceeding." *See* Exhibit 11. Hargis, in 1996, attempted to register its "Sealtite" mark for its line of fastener products. However, the PTO rejected its application on two grounds: (1) descriptiveness, and (2) confusing similarity to B&B's previously-registered "Sealtight"® mark. Following this rejection, Hargis initiated the Cancellation Proceeding described above. As we now know, Hargis was eventually unsuccessful in its attempt to cancel B&B's "Sealtight"® mark; however, Hargis took advantage of the TTAB's initial decision to cancel B&B's mark by proceeding with its application to register its own mark in the interim period. Hargis's participation in all of these proceedings—including its argument in the Cancellation Proceeding that B&B had abandoned its "Sealtight"® mark—were made despite Hargis's knowledge that B&B continued to sell its products under the "Sealtight"® mark and its admission that

Fastenal, a customer common to both, had repeatedly attempted to purchase B&B products from Hargis. In this interim period, *i.e.* after the TTAB ordered cancellation of B&B's mark, but before its reversal of the same order, Hargis's "Sealtite" application slipped through this self-created "crack" of opportunity and proceeded toward registration. B&B, however, timely filed an opposition to Hargis's application with the TTAB.

On May 22, 2003, Hargis filed a motion for summary judgment in the Opposition Proceeding (just as it had done in the prior Cancellation Proceeding) on the grounds that the May 2000 district court judgment should be given preclusive effect. In its August 4, 2004 order, the TTAB denied Hargis's motion and refused to give the district court judgment preclusive effect in the Opposition Proceeding because (1) *the district court made no findings on likelihood of confusion* (which was the primary issue before the TTAB in the Opposition Proceeding) and (2) the claims in the district court were not the same as those in the Opposition Proceeding. *See* Opposition Proceeding Order denying Hargis's Motion for Summary Judgment, attached to the accompanying Motion as Exhibit 10. The TTAB noted:

> [Hargis is] barred from bringing a counterclaim herein to cancel B&B's pleaded Registration No. 1797509, which issued in 1993, on the ground that the SEALTIGHT mark is merely descriptive. Under Trademark Act Section 14 [15 U.S.C. § 1064], mere *descriptiveness is not a ground for cancellation by the Board of a*

> *registration which issued more than five years prior to the filing of the petition to cancel.*

Id. (emphasis added). Again, the May 2000 district court judgment notwithstanding, the TTAB made a factual finding that descriptiveness was no longer a valid defense to B&B's "Sealtight"® registration because more than five (5) years had passed since the registration was issued.

In its 2007 decision sustaining B&B's opposition and refusing to register HARGIS's "Seatltite" mark because of the likelihood of confusion with B&B's previously registered and incontestable "Sealtight"® mark, the TTAB again determined that the district court in the prior Arkansas litigation made no findings of fact on the issue of likelihood of confusion. It recognized that the only determination essential to the district court's judgment was the determination that B&B's mark was merely descriptive and that it had not acquired secondary meaning. *See* Opposition Proceeding Final Order, Exhibit 11. Indeed, the TTAB specifically held that issue preclusion did not apply to its proceeding because *the district court in Arkansas in the prior litigation made no findings of fact on the issue of likelihood of confusion*, which was the cause of action at issue in the opposition.[14] *See id.*

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[14] After many hours of testimony and a thorough examination of all of the elements of likelihood of confusion, the TTAB, in its 2007 decision, held that there is a likelihood of confusion between B&B's "Sealtight" ® mark and Hargis's "Sealtite" mark. Opposition Proceeding Final Order, Exhibit 11. In fact, not only did the TTAB determine that there was a likelihood of

In sum, Eighth Circuit authority allows the Court to give preclusive effect to the TTAB decision on likelihood of confusion, and it should do so. In the alternative, the Court should defer to and give weight to the TTAB's likelihood of confusion finding. When coupled with the evidence presented in support of the likelihood of confusion factors, *see infra*, the Court should find that a likelihood of confusion exists as a matter of law.

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confusion between these two marks, it also found instances of actual confusion had occurred. *See id.*

IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF ARKANSAS WESTERN DIVISION

B&B HARDWARE, INC. PLAINTIFF

VS. Case No. 4:06-CV-01654 SWW

HARGIS INDUSTRIES, INC., d/b/a SEALTITE BUILDING FASTENERS, and d/b/a EAST TEXAS FASTENERS, A TEXAS CORPORATION, EAST TEXAS FASTENERS, A BUSINESS ENTITY OF FORM UNKNOWN AND DOES 1 THROUGH 10, INCLUSIVE DEFENDANTS

PLAINTIFF'S STATEMENT OF UNDISPUTED FACTS

Comes now Plaintiff B&B Hardware, Inc. ("B&B"), by and through its attorneys, Rose Law Firm, a Professional Association, and for its Statement of Undisputed Facts, pursuant to Local Rule 56.1, states as follows:

1. B&B first began using the "Sealtight"® name in connection with its products in February, 1990. *See* Affidavit of Larry Bogatz ¶3, attached to Motion as Exhibit 1.

2. In May 1990, B&B filed an application to register "Sealtight" ® with the United States Patent and Trademark Office ("PTO"). *See id.*

3. On October 12, 1993, the PTO approved B&B's application and registered B&B's "Sealtight" ® trademark on the Principal Register, Registration

No. 1,797,509, for threaded and unthreaded metal fasteners and related hardware including nuts, bolts, and washers. *See id.* at ¶¶ 4-5.

4. B&B has continually used the "Sealtight"® mark since 1990. *See* Affidavit of L. Bogatz, ¶ 4.

5. Since 1990, B&B has spent approximately ten percent (10%) of its gross sales on advertising and promotions for "Sealtight" ® products. *See id.* at ¶ 6.

6. Every year, B&B attends the International Fastener show and talks with prospective customers about its "Sealtight" ® products. *See id.* at ¶ 7.

7. B&B's "Sealtight" ® products have been featured in several American Fastener Journal and Fastener Technology non-purchased articles and other publications. *See id.*

8. Sealtite Building Fasteners ("SBF") is a division of defendant Hargis Industries, Inc. ("Hargis").

9. Hargis has sold fasteners branded as "Sealtite" since January 1992.

10. B&B's use of "Sealtight" ® predates Hargis's use of "Sealtite." *See* the 2010 Dep. of Bruce Crouch, at 151, attached to Motion for Summary Judgment as Exhibit 3.

11. Hargis's sales and expenditures have grown to be substantially larger than B&B's sales. *See* financial information filed under seal, attached to Motion for Summary Judgment as Exhibit 4.

12. In 1996, Hargis filed an application with the PTO attempting to register the "Sealtite" trademark relating to Hargis's line of self-drilling and self-tapping screws and other fasteners that are frequently used in the construction of metal buildings. *See* Hargis's Trademark Application, attached to Motion for Summary Judgment as Exhibit No. 5.

13. The PTO found that there was a likelihood of confusion between Hargis's "Sealtite" application and B&B's "Sealtight"® trademark and refused to register Hargis's "Sealtite" mark. *See* Office Action refusing registration, attached to Motion for Summary Judgment as Exhibit 6.

14. In 1997, Hargis filed a petition with the Trademark Trial and Appeal Board ("TTAB") to cancel the registration of B&B's "Sealtight"® trademark. *See* Petition to Cancel, attached to Motion for Summary Judgment as Exhibit 7.

14. Subsequently, B&B filed a complaint in the Eastern District of Arkansas against Hargis. This Complaint alleged trademark infringement under the Lanham Act, common law trademark infringement, fraud, deceptive trade practices, and breach of contract.

15. The TTAB initially entered an order cancelling B&B's "Sealtight" ® trademark. However, it reinstated the trademark pending the resolution of the Arkansas lawsuit.

16. In an eleven to one decision, the jury found that the term "Sealtight"® was merely descriptive and that it had not acquired secondary meaning.

17. Hargis did not request, nor did district court order, that B&B's mark be cancelled.

18. In December 2001, Hargis requested that the TTAB resume the proceedings regarding cancellation of B&B's mark (the "Cancellation Proceeding").

19. In July 2002, the TTAB granted Hargis's motion for summary judgment and temporarily cancelled B&B's registration. *See* July 1, 2002 Order, attached to Motion for Summary Judgment as Exhibit 8.

20. B&B requested the TTAB reconsider its decision. As a result of this reconsideration, the TTAB set aside the grant of summary judgment in favor of Hargis. *See* June 13 Order, attached to Motion for Summary Judgment as Exhibit 9.

21. Hargis made an attempt to register the "Sealtite" mark during the brief time that B&B's "Sealtight" ® mark was cancelled.

22. In February 2003, B&B filed a notice of opposition to this Registration ("Opposition Proceeding").

23. On May 22, 2003, Hargis moved for summary judgment on the issue of likelihood of confusion, arguing that the Arkansas Court decision should be given preclusive effect. As a result of the February 13, 2003 Order setting aside the cancellation of

B&B's "Sealtight"® mark, the TTAB dismissed Hargis's petition to cancel.

24. In August 2004, Hargis's Motion for Summary Judgment was denied and the TTAB found that civil judgment of the Arkansas Court had no preclusive effect on the TTAB proceeding because there were no claims or issues that were even similar between the two proceedings. *See* Opposition Proceeding Order, attached to the Motion for Summary Judgment as Exhibit 10. The TTAB held that the district court made no findings on the likelihood of confusion. The TTAB also held that Hargis was barred from attempting to cancel B&B's "Sealtight"® mark registration on the ground that it was merely descriptive because it had been registered for more than five years before the issue of descriptiveness was first raised and the time frame to properly raise this issue had passed. *See id.*

25. B&B filed for and obtained incontestability status for the "Sealtight"® mark in 2006. *See* Affidavit of L. Bogatz, ¶ 4.

26. B&B's "Sealtight"® mark is now incontestable. *See id.*

27. In March 2006, Hargis conceded that Fastenal, a customer of both B&B and Hargis, had repeatedly attempted to purchase B&B products from Hargis for a considerable amount of time and Hargis confirmed that this conduct has continued. *See* Opposition Proceeding Final Order dated August 28, 2007, attached to Motion for Summary Judgment as Exhibit 11; 2010 Deposition of Bruce Crouch, at 227-39, Exhibit 2; Deposition of Joe Hargis, attached

to Summary Judgment Motion as Exhibit 3; 2006 Deposition of Bruce Crouch, at 55-59, attached to Motion for Summary Judgment as Exhibit 12.

28. B&B filed the present action in the United States District Court for the Central District of California alleging trademark infringement, unfair competition under U.S. and California law, trademark dilution, and false designation of origin in August 2006. *See* Complaint at 8-12.

29. In September 2006, Hargis moved to dismiss the action on the basis of *res judicata*. *See* September 21, 2006 Motion to Dismiss at 4. B&B filed a response and Hargis filed a reply which added an argument for dismissal based on collateral estoppel.

30. The district court in California transferred the matter to the Eastern District of Arkansas based, in part, on the fact that prior litigation had occurred in Arkansas. *See* September 30, 2006 Transfer Order.

31. This Court requested supplemental brief on the issues of deference and incontestability, which both parties filed. This Court granted Hargis's Motion to Dismiss on the basis of collateral estoppel prior to seeing the TTAB's final decision in the Opposition Proceeding.

32. Only days before the Court granted the Motion to Dismiss, the TTAB rendered a decision that not only was there a likelihood of confusion between B&B's "Sealtight"® mark and Hargis's "Sealtite," but that actual confusion had occurred. *See* Opposition Proceeding Final Order, Exhibit 11. The TTAB

sustained B&B's opposition and refused to register Hargis's "Sealtite" mark. *See id.*

33. Several customers have, in fact, called B&B looking for Hargis's "Sealtite" products. *See* Affidavit of L. Bogatz, ¶ 8. For Example, in 2007 a customer who was attempting to order a Hargis Sealtite Fastener mailed a sample of that fastener to B&B. *See id.* at ¶ 9.

34. Another example of actual confusion occurred in 2006, when B&B received a call from a customer who ordered 35,000 parts per month and claimed that those parts were leaking. Although, the customer claimed that the parts were "Sealtight" fasteners, B&B has never sold that quantity of the "Sealtight" fasteners. *See id.* at ¶ 10.

35. Actual confusion between "Sealtight"® and "Sealtite" occurred when a man from Morgan Tool attempted to order a part that B&B does not carry. The man was surprised to learn that B&B was not associated with Sealtite Building Fasteners of Tyler, Texas. *See id.* at ¶ 11.

36. Actual confusion has repeated occurred when customers have tried to order B&B "Sealtight"® fasteners from Sealtite Building Fasteners in Tyler, Texas. *See id.* at ¶ 12.

37. Actual confusion occurred when a customer attempted to return a Sealtite part to B&B. The part had the "Flying ST" on its head, which is the symbol on Hargis' fastener heads. *See id.* at 14.

38. After the TTAB's Order was issued, B&B filed a motion with the district court to reconsider the dismissal of B&B's action. *See* September 27, 2007 Motion for Reconsideration. This Motion presented the TTAB's decision to the Court for the first time. The District Court denied B&B's Motion. *See* November 15, 2007 Order denying Motion for Reconsideration.

39. Both parties appealed, and the Eighth Circuit reversed as to B&B's appeal and affirmed as to Hargis's appeal, holding that B&B's claim was not barred by claim preclusion or issue preclusion.

[Signature block omitted]

IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF ARKANSAS WESTERN DIVISION

B&B HARDWARE, INC. PLAINTIFF

VS. Case No. 4:06-CV-01654 SWW

HARGIS INDUSTRIES, LP., d/b/a SEALTITE BUILDING FASTENERS, and d/b/a EAST TEXAS FASTENERS, A TEXAS CORPORATION, EAST TEXAS FASTENERS, A BUSINESS ENTITY OF FORM UNKNOWN AND DOES 1 THROUGH 10, INCLUSIVE DEFENDANTS

DEFENDANT'S FIRST AMENDED ORIGINAL ANSWER, AFFIRMATIVE DEFENSES AND COUNTERCLAIM

TO THE HONORABLE UNITED STATES DISTRICT JUDGE:

Defendant, Hargis Industries, LP dba Hargis Industries, Inc. and dba Sealtite Building Fasteners, f/k/a Hargis Industries, Inc. dba Sealtite Building Fasteners and dba East Texas Fasteners (hereinafter "Defendant" or "Hargis"), files this first amended original answer and affirmative defenses to Plaintiffs Complaint and respectfully shows, in response to each numbered paragraph in the Complaint, as follows:

I.
JURISDICTION AND VENUE

1. Admits that plaintiff has asserted claims under the Lanham Act and California state law, and further admits that the Court has pendent jurisdiction of state law claims which arise out of the same case or controversy, but denies that Hargis is in any manner liable for the claims asserted by plaintiff and otherwise denies the remaining allegations in paragraph 1 of the Complaint.

2. Admits that the parties are citizens of different states, that 28 U.S.C. § 1332(a)(1) provides for diversity jurisdiction, and that Hargis has transacted an extremely limited amount of business in the state of California, but denies the remaining allegations contained in paragraph 2.

3. Admits that Hargis has transacted an extremely limited amount of business in California, but denies the remaining allegations contained in paragraph 3.

4. Denies the allegations contained in paragraph 4.

II.
PARTIES

5. Is without knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 5.

6. With respect to paragraph 6, admits that Hargis maintains its principal place of business at 6357 Reynolds Road in Tyler, Texas and at one time was a corporation duly organized and existing under

the laws of Texas, but denies that it is currently organized as a Texas corporation.

7. Admits that East Texas Fasteners was at one time a business entity, is without knowledge or information sufficient to know its current status, and denies the remaining allegations contained in paragraph 7.

8. Is without knowledge or information sufficient to form a belief as to the basis of plaintiff's allegations for the existence of "Does 1 through 10," but otherwise denies the allegations contained in paragraph 8.

9. Is without knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 9, and therefore, denies same.

10. Is without knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 10, and therefore, denies same.

11. Denies the allegations contained in paragraph 11.

12. Denies the allegations contained in paragraph 12.

13. With respect to paragraph 13, admits that plaintiff has never granted defendant any form of right in any registered trademark, service mark, name or any other proprietary right of plaintiff, but denies that defendant is or ever has been obligated

or otherwise required to secure any such form of right; defendant further denies that plaintiff has not either expressly or impliedly acquiesced in defendant's use of its Sealtite mark.

14. With respect to paragraph 14, admits that defendant sells to and services interstate customers; is without knowledge or information sufficient to form a belief as to whether plaintiffs goods and services are offered in interstate commerce; admits that defendant disseminates advertising materials in interstate commerce but denies that such advertising materials incorporate, infringe, or otherwise affect the Sealtight mark.

15. Is without knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 15, and therefore, denies same.

16. Is without knowledge or information sufficient to form a belief as to the date on which B & B filed an application to register the Sealtight mark; admits that B & B received a trademark registration for the Sealtight mark on or about October 12, 1993, that the mark has registration number 1,797,509, that a copy of the certificate of registration is attached to the complaint, and that the goods and services so registered are accurately set forth in paragraph 16; defendant denies the remaining allegations in paragraph 16.

17. With respect to paragraph 17, admits that Sealtite Building Fasteners, through the assistance and efforts of an attorney, Walter Ames, filed an application to register the Sealtite trademark with

the PTO; admits that the PTO declined in an initial office action to register Sealtite on the basis of likelihood of confusion, but denies the existence of any likelihood of confusion between the marks of the respective companies; and admits that Hargis, through the actions of its attorney, Walter Ames, filed a petition to cancel B & B's registration, initially citing abandonment and priority of use; and denies any remaining allegations.

18. Admits the allegations contained in paragraph 18.

19. With respect to paragraph 19, admits that B & B sued Hargis for trademark infringement, fraud, and breach of contract, but denies that those claims represent the only claims asserted by B & B in the "Arkansas suit" and further denies that Hargis was liable for any such claims.

20. With respect to paragraph 20, admits that B & B claimed use of its Sealtight mark prior in time to Hargis' use of the Sealtite mark by approximately eighteen months, but denies the remaining allegations contained in paragraph 20 and further denies any actual confusion between B & B's products and Hargis' products.

21. With respect to paragraph 21, admits that Hargis, at the earlier trial, asserted the mere descriptiveness of B&B's mark as a defense to B&B's trademark infringement claim, but denies that it was untimely asserted; admits that B&B dismissed the common law and any other actions it alleged at the close of evidence and that only the Lanham Act claim proceeded to trial.

22. Admits that the jury returned an 11-1 verdict finding the Sealtight mark merely descriptive and the absence of any secondary meaning, but denies that the absence of secondary meaning was limited to the date of the verdict; admits that a judgment of dismissal was entered by the District Court and that cancellation of the Sealtight registration was not requested by Hargis or ordered by the Court; admits that the jury in the "Arkansas suit" did not answer the interrogatories on likelihood of confusion or damages in accord with the Court's instructions, but denies the remaining allegations in paragraph 22.

23. Admits that B&B appealed the jury verdict and that the Eighth Circuit affirmed the verdict; admits that Hargis continued with the cancellation proceeding before the TTAB, that the TTAB granted the petition to cancel but on reconsideration dismissed the petition and reinstated the Sealtight registration; admits that the TTAB determined that descriptiveness had not been timely pled before the TTAB but denies that it made such a determination with respect to Hargis' assertion of such defense in the District Court; and denies the remaining allegations in paragraph 23.

24. Admits that the Sealtight mark was reinstated by the TTAB and it remains on the Principal Register but denies the remaining allegations contained in paragraph 24.

25. Admits that Defendant has used and is using the Sealtite mark in connection with certain lines of its fasteners, but denies the remaining allegations in paragraph 25.

26. Denies the allegations contained in paragraph 26.

27. Admits that defendant uses the Sealtite mark in connection with a fastener product line and utilizes a website on the Internet which can be viewed across state lines, but denies that the facts give rise to an invocation of the California court's jurisdiction over defendant.

28. Denies the allegations contained in paragraph 28.

29. With respect to the allegations contained in paragraph 29, admits that B&B has not licensed Defendant's use of Sealtite, but denies that Defendant was or is in any manner obligated to secure B&B's license, authorization or consent to use the Sealtite mark, and further denies, even though Hargis did not require it, that B&B did not consent to and acquiesce in, both expressly and impliedly, Hargis' use of the Sealtite mark.

III.
TRADEMARK INFRINGEMENT

30. The allegations contained in paragraph 30 do not require a response, but Defendant incorporates the allegations set forth in paragraphs 1 through 29 of this answer, as if fully rewritten.

31. Admits that B&B is the owner of the Sealtight mark, but denies the remaining allegations in paragraph 31.

32. Admits that Hargis uses Sealtite and Sealtite.com in the advertisement, marketing and promotion of certain of its products, but denies the remaining allegations in paragraph 32.

33. Admits that Hargis has used the Sealtite mark in the course of its business but otherwise denies the allegations in paragraph 33.

34. Denies the allegations in paragraph 34.

35. Admits that Hargis is a manufacturer and distributor of fasteners and related goods, but denies the remaining allegations in paragraph 35.

36. Denies the allegations in paragraph 36.

37. Denies the allegations contained in paragraph 37.

38. Denies the allegations contained in paragraph 38.

39. Denies the allegations contained in paragraph 39.

40. Denies the allegations contained in paragraph 40.

41. Denies the allegations contained in paragraph 41.

42. Denies the allegations contained in paragraph 42.

43. Is without knowledge or information sufficient to form a belief as to the truth of the allegations

contained in paragraph 43, and therefore, denies same.

IV.
VIOLATION OF LANHAM ACT SECTION 43(A) UNFAIR COMPETITION UNDER UNITED STATES LAW

44. The allegations contained in paragraph 44 do not require a response, but Defendant incorporates the allegations set forth in paragraphs 1 through 43 of this answer, as if fully rewritten.

45. Denies the allegations contained in paragraph 45.

46. Denies the allegations contained in paragraph 46.

V.
TRADEMARK DILUTION

47. The allegations contained in paragraph 47 do not require a response, but Defendant incorporates the allegations set forth in paragraphs 1 through 46 of this answer, as if fully rewritten.

48. Denies the allegations contained in paragraph 48.

49. Denies the allegations contained in paragraph 49.

VI.
UNFAIR COMPETITION UNDER CALIFORNIA LAW

50. The allegations contained in paragraph 50 do not require a response, but Defendant incorporates the allegations set forth in paragraphs 1 through 49 of this answer, as if fully rewritten.

51. Denies the allegations contained in paragraph 51.

52. Denies the allegations contained in paragraph 52.

53. Denies the allegations contained in paragraph 53.

VII.
FALSE DESIGNATION OF ORIGIN UNDER 15 U.S.C. § 1125(A)

54. The allegations contained in paragraph 54 do not require a response, but Defendant incorporates the allegations set forth in paragraphs 1 through 53 of this answer, as if fully rewritten.

55. Admits that Defendant has used the Sealtite mark in connection with certain lines of its fasteners, but denies the remaining allegations in paragraph 55.

56. Denies the allegations contained in paragraph 56.

57. Denies any allegations not specifically admitted herein; denies each and all of the allegations contained in Plaintiffs prayer for relief; and further denies the relief sought by Plaintiff.

AFFIRMATIVE AND OTHER DEFENSES

Without assuming any burden that it would otherwise have and as affirmative defenses to Plaintiffs Complaint, Defendant asserts that:

58. The complaint fails to state a claim against this Defendant upon which any relief may be granted, and accordingly, Plaintiffs claims should be dismissed.

59. Plaintiff's claims are barred by res judicata or claim preclusion.

60. Plaintiff's claims are barred by collateral estoppel or issue preclusion.

61. Plaintiffs mark "Sealtight" is merely descriptive and weak, and therefore, entitled to no protection under any statute or at common law as a trademark.

62. There is no actual confusion or likelihood of confusion between the use by Plaintiff of its "Sealtight" mark and the use by Defendant of its "Sealtite" mark.

63. Plaintiff is estopped from asserting the claims set forth in its complaint based on the doctrine of laches.

64. Plaintiff is estopped from asserting the claims set forth in its complaint in that it, expressly or impliedly, acquiesced in the use by defendant of its trademark "Sealtite."

65. Plaintiff's claims are barred and unenforceable for the reason that it procured purported

incontestability status of its mark by knowingly making false, material representations with the intent to deceive the Patent and Trademark Office ("PTO"). More specifically, on or about June 28, 2006, Plaintiff executed and delivered to the PTO a declaration or affidavit of incontestability in which Plaintiff declared that there had been no final decision adverse to Plaintiffs claim of ownership of the mark, or to Plaintiffs right to register the same or keep the same on the register, when in fact such declaration was and is untrue. In truth and in fact, there was a final judgment and decision adverse to Plaintiffs claim of ownership, and to its right to register its mark or keep the same on the register, entered by the United States District Court for the Eastern District of Arkansas on May 18, 2000. Said judgment was affirmed on appeal by the Eighth Circuit, from which decision the Plaintiff took no further action. The judgment entered by the District Court and affirmed on appeal determined that Plaintiffs mark was merely descriptive and that it had not acquired secondary meaning, and dismissed Plaintiffs action against Defendant with prejudice. Plaintiff had full knowledge of this material fact but knowingly and willfully did not disclose same with the fraudulent intent that the PTO rely on such misrepresentation and be misled by it. Had the PTO known the truth, it would not have issued an acknowledgement of incontestability pursuant to 15 U.S.C. § 1065.

66. Plaintiff's claims are barred by the finality of judgments.

67. Plaintiffs Sealtight mark has been previously and finally adjudged as merely descriptive and as a mark that had not acquired secondary meaning. The subject mark has not acquired secondary meaning. Defendant's Sealtite mark was in continuous, uninterrupted use long before such determinations were made regarding Plaintiffs mark, and Defendant's mark has been in continuous, uninterrupted use since those determinations. Thus, plaintiff's claims are barred and unenforceable as to Hargis.

68. Plaintiff's mark is not famous.

69. Plaintiff is estopped from asserting the claims set forth in its complaint in that it is guilty of unclean hands. More specifically, Plaintiff has used its mark to misrepresent the source of its goods on or in connection with which the Sealtight mark is used.

70. Defendant's mark was adopted by Defendant without knowledge of Plaintiff's prior use of its mark, and Defendant's mark has been in continuous use since such adoption.

ATTORNEY'S FEES

71. Defendant seeks reasonable attorney's fees under the authority of 15 U.S.C. § 1117(a) in that this is an exceptional case.

COUNTERCLAIM

Hargis, for its counterclaim against Plaintiff, B&B Hardware, Inc. ("B&B") asserts and alleges as follows:

NATURE OF THE COUNTERCLAIM

1. There is an actual and justiciable controversy between Hargis and B&B with respect to the validity, enforceability, and purported infringement, or lack thereof, of the "Sealtight" mark used by B&B. This counterclaim seeks a judgment cancelling the purported incontestability status and registration of the "Sealtight" mark, and injunctive relief and attorney's fees and costs against B&B for its false advertising, false designation of goods, unfair competition, and copyright infringement. Hargis seeks judgment under the Lanham Act, 15 U.S.C. §§ 1051, et. seq., the Copyright Law of the United States, 17 U.S.C. §§ 101, et. seq., and the Declaratory Judgments Act, 28 U.S.C. §§2201, 2202.

JURISDICTION AND VENUE

2. This Court has subject matter jurisdiction over this counterclaim pursuant to 28 U.S.C. §1331, 1338, and 2201, and 15 U.S.C. §§ 1116, 1119. Venue is proper in this judicial district pursuant to 28 U.S.C. §§ 1391(b) and (c) and 1400(a).

PARTIES

3. Hargis is a Texas limited partnership organized and existing under the laws of the state of Texas, with its principal office in Tyler, Texas.

4. Based on information and belief, B&B is a California corporation with its principal office at 5370 Hollister Avenue #2, Santa Barbara, California.

FACTUAL BACKGROUND

5. Hargis adopts and incorporates by reference herein as if set forth verbatim the allegations and facts set forth in its First Amended Original Answer and Affirmative Defenses.

6. On or about June 28, 2006, Plaintiff executed and delivered to the PTO a declaration or affidavit of incontestability in which Plaintiff declared that there had been no final decision adverse to Plaintiffs claim of ownership of the mark, or to Plaintiffs right to register the same or keep the same on the register, when in fact such declaration was and is untrue. In truth and in fact, there was a final judgment and decision adverse to Plaintiffs claim of ownership, and to its right to register its mark or keep the same on the register, entered by the United States District Court for the Eastern District of Arkansas on May 18, 2000. Said judgment was affirmed on appeal by the Eighth Circuit, from which decision the Plaintiff took no further action. The judgment entered by the District Court and affirmed on appeal determined that Plaintiffs mark was merely descriptive and that it had not acquired secondary meaning, and dismissed Plaintiffs action against Defendant with prejudice. Plaintiff had full knowledge of these material facts but knowingly and willfully did not disclose same, and in fact declared that there was no such adverse decision, with the fraudulent intent that the PTO rely on such misrepresentation and be misled by same. Had the PTO known the truth, it would not have issued an acknowledgement of incontestability pursuant to 15 U.S.C. § 1065.

7. Hargis sells self-drilling and self-tapping screws ("construction fasteners") and fastener-

related products for use in the pre-engineered steel and post-frame metal building construction industry. Hargis has sold construction fasteners to the metal building construction industry under Sealtite or Sealtite Building Fasteners since January 1992. In conjunction with its business, Hargis maintains a website at www.sealtite.com. The website includes, among other things, photographs and technical information on thirteen of its construction fasteners. The fasteners depicted in the photographs were specifically manufactured from design drawings prepared by Hargis and are in many respects unique to its line of fasteners. One of the fasteners, or one or more of its component parts, has a patented design, which patent is owned by Hargis. Likewise, much of the information on the website is unique to, or a featured characteristic of, Hargis' fasteners. The photographs displayed on Hargis' website are original works of authorship. Hargis owns the copyrights to the subject photographs by assignment. Plaintiff had access to Hargis' fastener photographs through Hargis' website.

8. B&B sells specialty industrial fasteners for use in the aerospace and other high-tech industries. B&B alleges that it sells its fasteners using the mark "Sealtight." In conjunction with its business and the marketing of its specialty fasteners, B&B maintains the website, www.sealtighttechnology.com. In addition to the foregoing site, it has advertised in the past, and continues to advertise, its fasteners at www.sealtight-technology.com, www.sealtightsolution.com and www.sealtightfastener.com. B&B's websites noted above provide information regarding the features

and characteristics of its specialty fasteners, their applications and uses, representative clients and other information pertaining to same. B&B's fasteners have distinctively different applications and uses than those sold by Hargis, and are sold to a different market. There is no confusion or likelihood of confusion among purchasers or prospective purchasers.

9. On or about January 22, 2010, during the course of these proceedings and long after initiating this suit, B&B registered the domain name sealtightcf.com. At a point in time thereafter—in all probability not before February 14, 2010—B&B posted online the website, www.sealtightcf.com ("the new B&B website"). With the new B&B website, B&B purported to introduce a new line of construction fasteners for the metal building construction industry. A true and correct copy of the website is attached as Exhibit A and incorporated by reference for all purposes. In conjunction with this website, B&B used metatags with the terms "Sealtite" and "Sealtite building fasteners." B&B also registered additional domain names, such as sealtitecf.com and sealtitebuildingfasteners.com. Each of these domain names contained the same content as www.sealtightcf.com, attached as Exhibit A.

10. On the "home page" or first page of the new B&B website, B&B represents: "When it comes to construction fasteners Sealtight® has worked hard to provide a product line that will get the job done right the first time. Sealtight® engineers are available to help our customers select the best

construction fasteners for specific applications. Whether it is self-drilling or self-tapping fasteners for metal to metal, or metal to wood applications Sealtight® has the right self-sealing fastener solution for you!" However, in truth and in fact, B&B has none of the construction fasteners depicted in the new B&B website in its possession, other than samples specifically furnished to B&B's counsel in this litigation. Further, as recently as March 30, 2010, B&B had yet to make any sales of its alleged construction fastener line nor were any of the fasteners depicted in the new website available for sale. The Sealtight "engineers" to which B&B makes reference are Larry and Diana Bogatz, neither of which are engineers. Diana Bogatz has no experience in the construction or construction fastener industry; Larry Bogatz's experience is essentially limited to part-time summer construction while in school, and working for his father in the roofing business as a youth.

Furthermore, the fastener photographs displayed by B&B on this new website constitute unauthorized reproductions and/or derivative works of Hargis' copyrighted photographs on Hargis' website described above ("Hargis fastener photographs"). The photographs displayed on the new B&B website are in many instances identical to the Hargis fastener photographs, and in other instances composites of same through the use of photo manipulation software. Other information on Hargis' website was "lifted" or copied by B&B in the use of its www.sealtightcf.com website.

11. When B&B was notified of Hargis' knowledge of the unauthorized reproduction and use of the subject photographs through the disclosure of an expert report and opinions from Hargis, B&B abruptly pulled the www.sealtightcf.com website from the internet.

12. In creating the sealtightcf.com website, B&B thus used images of Hargis' construction fasteners in an attempt to pass them off as fasteners being offered by B&B in a new line of construction fasteners and in other instances plagiarized technical and marketing information from Hargis' website and incorporated same into the sealtightcf.com website.

COUNT I

(Declaratory Judgment Cancelling the Incontestability Status and Registration of the B&B Sealtight Mark)

13. Hargis realleges and incorporates by reference the allegations contained in paragraphs 1-12 as if set forth verbatim herein.

14. B&B's Section 15 declaration or affidavit was and is fraudulent and B&B's incontestability status was obtained fraudulently. In connection with the execution and filing of the Section 15 affidavit, B&B, through its president and owner, Larry Bogatz, made false representations of material fact with the intent to deceive the PTO and the PTO relied on those false material representations. Had the PTO known the truth, the PTO would not have acknowledged the mark's incontestability and relied on such representation to its detriment. Therefore, Hargis

seeks a declaratory judgment cancelling the incontestability status of B&B's Sealtight mark and the registration of the mark. *Robi v. Five Platters, Inc.*, 918 F.2d 1439 (9th Cir. 1990).

COUNT II
(Copyright Infringement)

15. Hargis realleges and incorporates by reference the allegations contained in paragraphs 1-14 as if set forth verbatim herein.

16. The photographs displayed on Hargis' website are original works of authorship. Hargis owns the copyrights to the photographs, and has the exclusive rights of reproduction, distribution, and display and to prepare derivative works pursuant to 17 U.S.C. §106. B&B displayed photographs that were unauthorized reproductions and/or derivative works of Hargis' copyrighted photographs. The photographs on B&B's website were identical or substantially similar. B&B's actions constitute copyright infringement. While B&B has since "pulled down" the subject website, Hargis has no assurance that B&B will not re-post the site, with the unauthorized reproductions, at a later date. But for the equitable powers and intervention of this Court, Hargis does not have an adequate remedy at law. Hargis seeks injunctive relief pursuant to 17 U.S.C. §502, permanently enjoining B&B from reproducing, distributing, displaying or preparing derivative works of Hargis' copyrighted photographs.

COUNT III
(False Advertising Under the Lanham Act)

17. Hargis realleges and incorporates by reference the allegations contained in paragraphs 1-16 as if set forth verbatim herein.

18. B&B has made false statements of fact in a commercial advertisement about its products, which have a tendency to deceive a substantial segment of its audience. The deception is material in that it is likely to influence the purchasing decision and B&B caused its false statements to enter interstate commerce through the display of its "construction fastener" website over the internet. Hargis is likely to be injured as a result of such false statements. Plaintiffs actions constitute false advertising in violation of 15 U.S.C § 1125(a). Hargis seeks the equitable and injunctive powers of this Court to permanently enjoin B&B from such wrongful conduct.

COUNT IV
(False Designation of Origin and Unfair Competition Under the Lanham Act)

19. Hargis realleges and incorporates by reference the allegations contained in paragraphs 1-18 as if set forth verbatim herein.

20. In deliberately, intentionally, and unlawfully copying photos of Hargis' fasteners from Hargis' website, posting same on its sealtightcf.com website, copying other information from Hargis' website, and falsely stating on the new B&B website that the photos with the accompanying plagiarized information depicted a new line of construction fasteners being offered by B&B, B&B attempted to deceive the public into believing that it offered a line

of construction fasteners identical to that offered by Hargis; specifically, B&B represented that the Hargis construction fasteners depicted on the website were instead the product of B&B. Thus B&B used a false designation of origin, and one or more false or misleading descriptions or representations of fact which, in commercial advertising or promotion, misrepresented the nature, characteristics, and qualities of B&B's goods, in violation of 15 U.S.C. § 1125(a); which has caused damage to Hargis and will continue to cause damage unless B&B is permanently enjoined and restrained from continuing such conduct.

21. Hargis seeks attorney's fees and costs as authorized under any one or more of the foregoing statutes.

PRAYER

Wherefore, Defendant Hargis Industries, LP dba Hargis Industries, Inc. and dba Sealtite Building Fasteners, prays that the Court:

1. Dismiss Plaintiffs Complaint in its entirety with prejudice, with B&B taking nothing thereby;

2. Deny all of B&B's claims against Hargis;

3. Enter judgment cancelling the incontestability status and registration of B&B's Sealtight mark;

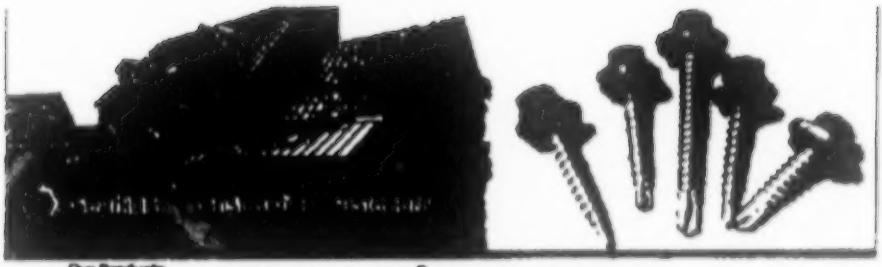
4. Enter judgment permanently enjoining B&B from engaging in copyright infringement, false advertising, false designation of origin, and unfair competition;

5. Award Hargis reasonable attorney's fees and the costs of this action; and

6. Award Hargis such other relief as the Court deems just and proper.

[Signature block omitted]

Home Contact



Our Products

- Rustbuster Steel
- Rustbuster Wood
- Steelscrew
- Steelscrew Heavy Duty
- Steelscrew HWH
- Steelscrew Low Profile
- Woodbuster & Steelbuster
- Woodbuster
- Woodbuster II
- Woodbuster Stainless
- Woodbuster ACQ
- Aluminate™ Long Life Coating

Welcome to Sealtight® Construction Fasteners

For 20 years Sealtight® has been listening to our valued customers to bring the best sealing solution to every industry. When it comes to construction fasteners Sealtight® has worked hard to provide a product line that will get the job done right the first time. Sealtight® engineers are available to help our customers select the best construction fasteners for specific applications. Whether it is self drilling or self tapping fasteners for metal to metal, or metal to wood applications Sealtight® has the right self sealing fastener solution for you!

Whether you are an engineer, architect, distributor, or the end user you most likely have had an encounter with red rust. When it comes to metal building construction there are few things more annoying than to see your beautiful structure changed by red rust corroded fasteners. The new Sealtight® Aluminate™ plating offered exclusively by Sealtight® Construction fasteners eliminates the possibility of red rust. This is just another solution brought to our customers to show that Sealtight® has been listening.

Sealtight® Construction Fasteners
6573 Hollister Avenue
Santa Barbara, CA 93115-1398
[illegible]
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Rustbuster Steel | Rustbuster Wood | Steelscrew | Steelscrew Heavy Duty | Steelscrew HWH | Steelscrew Low Profile | Woodbuster & Steelbuster | Woodbuster | Woodbuster II | Woodbuster Stainless | Woodbuster ACQ

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EXHIBIT "A"

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- Steelocker Low Profile
- Woodgripper & Steelgripper
- Woodlocker
- Woodlocker II
- Woodlocker Stainless
- Woodlocker ACQ
- Aluminate™ Long Life Coating

RUSTBUSTER™ STEEL

Self-sealing fastener by Sealtight®

The Sealtight® Rustbuster™ Steel self-sealing fasteners are designed with a Zarnek-5 alloy head to assure a lifetime of protection against red rust.

The Sealtight® Rustbuster™ Steel gives the protection you need in a wide range of construction applications. This 9/16 Hex Washer Head with Groove (HWHG) incorporates an EPDM washer that seats perfectly in a groove under the head to provide leak proof protection.

Even when driven at an angle the Sealtight® Rustbuster™ Steel Self-Sealing Fastener provides the perfect sealing solution in the most extreme conditions.

The Sealtight® Rustbuster™ Steel is offered in #12 screw size with lengths up to 3-1/2 to fulfill most construction fastener application requirements.

SIZE HEAD	STYLE	CARTON QTY.	WEIGHT/#8
12-14 X 3/4"	9/16" HWHG	2000	11.9
12-14 X 1"	9/16" HWHG	2000	12.6
12-14 X 1-1/4"	9/16" HWHG	2000	14.1
12-14 X 1-1/2"	9/16" HWHG	2000	16.9
12-14 X 2"	9/16" HWHG	1500	21.3
12-14 X 2-1/2"	9/16" HWHG	1500	23.4

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Our Products

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- Rustbuster Wood
- Steelocker
- Steelocker Heavy Duty
- Steelocker HWH
- Steelocker Low Profile
- Woodgripper & Steelgripper
- Woodlocker
- Woodlocker II
- Woodlocker Stainless
- Woodlocker ACQ
- Aluminate™ Long Life Coating

RUSTBUSTER™ WOOD

Self-sealing fastener by Sealtight®

The Sealtight® Rustbuster™ Wood self-sealing fasteners are designed with a Zamak 5 assy head to assure a lifetime of protection against red rust.

The Sealtight® Rustbuster™ Wood gives you the protection you need in a wide range of construction applications. This 5/16 Hex Washer Head with Groove (HWHG) incorporates an EPDM washer that seals perfectly in a groove under the head to provide leak proof protection.

Even when driven at an angle the Sealtight® Rustbuster™ Wood Self-Sealing Fastener provides the perfect sealing solution in the most extreme conditions.

The Sealtight® Rustbuster™ Wood is offered in #10 with screw lengths up to 3" and a #12 stitch to 5/8" most construction fastener application requirements.

The Sealtight® Rustbuster™ Wood Self-Sealing Fasteners come with a Type 17 drill point that provides excellent holding power even in wood substrates.

SIZE HEAD	HEAD STYLE	CARTON QTY	WEIGHT/M
10 X 1"	5/16" HWHG	2500	7.9
10 X 1 1/2"	5/16" HWHG	2500	9.9
10 X 2"	5/16" HWHG	2000	13.3
10 X 2 1/2"	5/16" HWHG	1500	16.6
10 X 3"	5/16" HWHG	1000	16.5
12 X 3/4" STITCH	5/16" HWHG	2500	15.6

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Our Products

- Ruftrusstar Steel
- Ruftrusstar Wood
- Steelocker
- Steelocker Heavy Duty
- Steelocker HWH
- Steelocker Low Profile
- Woodgripper & Steelgripper
- Woodlocker
- Woodlocker L
- Woodlocker Stainless
- Woodlocker ACQ
- Aluminate™ Long Life Coating

STEELOCKER™

Self-sealing fastener by Sealtight®

The Sealtight® STEELOCKER™ self-sealing fasteners are most commonly used in metal building applications to attach metal roofing and sidewall panels, but the versatile design of the Steelocker™ makes it the perfect choice for a broad range of construction applications.

The 5/16 Hex Washer Head with Groove (HWHG) has a groove under the head where the EPDM washer seats perfectly to provide leak proof protection.

Even when driven at an angle the Sealtight® Steelocker™ Self Sealing Fastener provides the perfect sealing solution.

The Sealtight® Steelocker™ is offered in two primary thread sizes 12-14 and 1/4-14 with following screw lengths to fulfill most building / construction fastener application requirements.

Features the Steelocker™ Heavy Duty self-sealing fasteners with the Sealtight® exclusive Aluminate™ plating and for just about real that increase corrosion with the Sealtight® Aluminate™ plating corrosion resistance that is second to none.

SCREW SIZE	HEAD STYLE	CARTON QTY	WEIGHT/M
12-14 X 3/4"	5/16" HWHG	2500	11.8
12-14 X 1"	5/16" HWHG	2500	12.9
12-14 X 1-1/4"	5/16" HWHG	2500	14.1
12-14 X 1-1/2"	5/16" HWHG	2500	15.9
12-14 X 2"	5/16" HWHG	1500	21.3
12-14 X 2-1/2"	5/16" HWHG	1500	28.4
12-14 X 3"	5/16" HWHG	1000	28.4
1/4-14 X 7/8" STITCH	5/16" HWHG	2500	13.0

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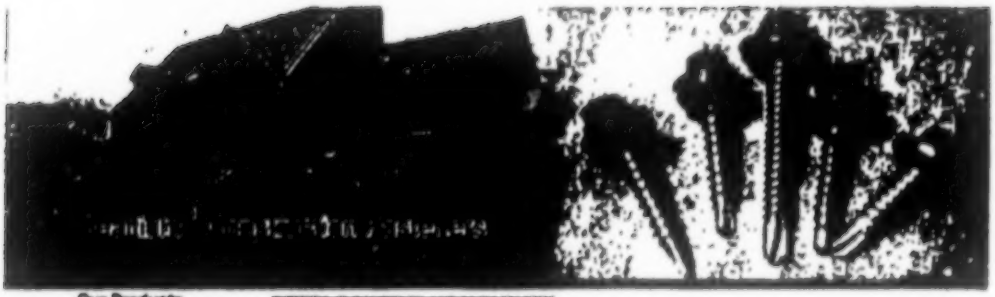

Our Products

- Fluidbuster Steel
- Fluidbuster Wood
- Steelocker
- Steelocker Heavy Duty
- Steelocker HWH
- Steelocker Low Profile
- Woodpepper & Steelpepper
- Woodlocker
- Woodlocker II
- Woodlocker Stainless
- Woodlocker ACQ
- Aluminate™ Long Life Coating

STEELOCKER™ HEAVY DUTY

by Sealtight®

The Sealtight® Steelocker™ Heavy Duty fasteners are designed to maintain superior strength when longer than standard fastener lengths are required for heavier gauge steel applications.

The Sealtight® Steelocker® Heavy Duty Self-Drilling - Self Sealing Fasteners are offered in a 12-24 thread size with lengths up to 9" to fulfill most Heavy Duty construction fastener application requirements.

Driven at an angle "no problem" the Sealtight® Steelocker™ Heavy Duty Self-Sealing Fasteners utilizing an EPDM sealing washer still provides the perfect sealing solution, and it comes with high quality zinc plating providing excellent corrosion resistance in tough environments.

Request the Steelocker™ Heavy Duty self sealing fasteners with the Sealtight® exclusive Aluminate™ plating and forget about red rust. Eliminate corrosion with the Sealtight® Aluminate™ plating with heavy resistance that is second to none!

SIZE	HEAD STYLE	CARTON QTY	WEIGHT/M
12-24 X 7/8"	HWH	2500	12.0
12-24 X 1 1/4"	HWH	2500	12.0
12-24 X 1-1/2"	HWH	2000	18.2
12-24 X 2"	HWH	1500	23.1
12-24 X 3"	HWH	1000	29.0
12-24 X 4"	HWH	500	36.0
12-24 X 5"	HWH	500	43.0
12-24 X 6"	HWH	500	51.0

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Our Products

- Rustbuster Steel
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- Steelocker Heavy Duty
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- Woodlocker
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- Aluminate™ Long Life Coating

STEELOCKER™ (HWH) HEX WASHER HEAD

by Sealtight®

The Sealtight® Steelocker™ Self Drilling Screws are a designed to meet a broad range of general construction applications.

The Sealtight® Steelocker™ comes standard without a seal, but if your application requires a seal no problem. Just add a Sealtight® brand sealing washer and you are good to go.

The Steelocker® is offered in three primary thread sizes 10-16, 12-14 and 1/4-14 to fulfill most general building / construction fastener application requirements.

The Sealtight® Steelocker™ comes with high quality zinc plating providing excellent corrosion resistance in tough environments.

SIZE	HEAD STYLE	CARTON QTY	WEIGHT/M
10-16 X 1/2"	5/16" HWH	10000	3.0
10-16 X 5/8"	5/16" HWH	10000	5.7
10-16 X 3/4"	5/16" HWH	5000	6.3
10-16 X 1"	5/16" HWH	5000	7.6
12-14 X 3/4"	5/16" HWH	2500	8.4
12-14 X 1"	5/16" HWH	2500	10.0
12-14 X 1 1/4"	5/16" HWH	2500	11.8
12-14 X 1 1/2"	5/16" HWH	2500	13.3
12-14 X 2"	5/16" HWH	2000	16.7
12-14 X 2 1/2	5/16" HWH	1500	21.4
12-14 X 3"	5/16" HWH	1000	25.0
12-14 X 4"	5/16" HWH	500	30.3
1/4-14 X 3/4"	3/8" HWH	2500	12.5
1/4-14 X 1"	3/8" HWH	2500	15.2
1/4-14 X 1 1/4"	3/8" HWH	2000	17.5
1/4-14 X 1 1/2"	3/8" HWH	2500	19.8
1/4-14 X 2"	3/8" HWH	1500	23.8
1/4-14 X 2 1/2"	3/8" HWH	1500	32.0
1/4-14 X 3"	3/8" HWH	1000	33.2
1/4-14 X 4	3/8" HWH	500	41.9
1/4-14 X 5"	3/8" HWH	500	50.7
1/4-14 X 6"	3/8" HWH	500	53.0

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Our Products

- RustBuster Steel
- RustBuster Wood
- Steelocker
- Steelocker Heavy Duty
- Steelocker HWH
- Steelocker Low Profile
- Woodgripper & Steelgripper
- Woodlocker
- Woodlocker II
- Woodlocker Stainless
- Woodlocker ACQ
- Aluminate™ Long Life Coating

STEELOCKER™ LOW PROFILE

Self-sealing fasteners by Sealtight®

The Sealtight® STEELOCKER™ low profile self-sealing fasteners are offered in both truss and pan head styles with a T-30 6-lobe drive system and are most commonly used in metal building applications to attach a sidewall panel to a metal girt. Though it doesn't stop there, its versatile design and low profile head makes the Sealtight® STEELOCKER™ the perfect choice for any area where an aesthetically pleasing appearance is desired.

The Sealtight® STEELOCKER™ low profile incorporates a groove under the head where an EPDM washer seats perfectly to provide leak proof protection 24/7.

SIZE	HEAD STYLE	CARTON QTY	WEIGHT/lb
12-14 X 3/4"	TRUSS	2500	10.7
12-14 X 3/4"	PAN	2500	10.9
12-14 X 1-1/4"	TRUSS	2500	14.1
12-14 X 1-1/4"	PAN	2500	14.3
1/4"-14" X 7/8" STITCH	TRUSS	2500	13.0
1/4"-14" X 7/8" STITCH	PAN	2500	13.3

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Our Products

- Rustbuster Steel
- Rustbuster Wood
- Steelocker
- Steelocker Heavy Duty
- Steelocker HHH
- Steelocker Low Profile
- Woodgripper & Steelgripper
- Woodlocker
- Woodlocker II
- Woodlocker Stainless
- Woodlocker ACQ
- Avenzinc™ Long Life Coating

WOODGRIPPER™ AND STEELGRIPPER™ TYPE A / AB SELF-TAPPING SEALING FASTENERS.

Sealtight® Woodgripper™ and Steelgripper™ self tapping sealing screws in most cases require a pre-drilled hole and are designed for a wide range of wood or light gauge metal applications.

The Sealtight® Woodgripper™ and Steelgripper™ the 3/8 HWH comes assembled with a Sealtight® brand EPDM bonded sealing washer.

The Sealtight® Woodgripper™ and Steelgripper™ are used in applications that require a sealing fastener to prevent leakage in a hole that previously used a nail or non-sealing screw.

The Sealtight® Woodgripper™ and Rustgripper™ are usually sold in carbon steel with a high quality zinc plating, but they are also available in 300 Series Stainless.

Note: other head styles available upon request.

SIZE	HEAD STYLE	HEAD STYLE	CARTON QTY	WEIGHT/M
14 X 3/4"	TYPE A	3/8" HWH	2000	13.8
14 X 1"	TYPE A	3/8" HWH	2000	16.9
14 X 1 1/4"	TYPE A	3/8" HWH	2000	17.6
14 X 1 1/2"	TYPE A	3/8" HWH	1500	24.6
14 X 2"	TYPE A	3/8" HWH	1000	28.0
14 X 2 1/2"	TYPE A	3/8" HWH	1000	36.8
14 X 3"	TYPE A	3/8" HWH	1000	36.9
1/4 X 3/4"	TYPE AB	3/8" HWH	2000	12.0
17 X 3/4"	TYPE AB	3/8" HWH	2000	14.0
17 X 1"	TYPE AB	3/8" HWH	2000	18.0
17 X 1 1/4"	TYPE AB	3/8" HWH	2000	23.0

Contact Us

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Home Contact

Our Products

- Rustbuster Steel
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- Steelocker
- Steelocker Heavy Duty
- Steelocker HWH
- Steelocker Low Profile
- Woodgripper & Steelgripper
- Woodlocker
- Woodlocker II
- Woodlocker Stainless
- Woodlocker ACQ
- Aluminate™ Long Life Coating

WOODLOCKER™ Self-sealing fastener by Sealtight®

The Sealtight® Woodlocker™ Self-Sealing Fasteners are most commonly used to attach steel roofing & siding in metal building construction applications, but the versatile design of the Woodlocker™ makes it the perfect choice for a broad range of construction applications.

The Sealtight® Woodlocker™ Self-Sealing Fasteners come with a Type 17 drill point that provides excellent holding power even in wood substrates.

When driven at an angle the Sealtight® Woodlocker™ Self-Sealing Fastener utilizing an EPDM sealing washer still provides the perfect sealing solution, and the high quality zinc plating greatly increases the corrosion resistance in comparison to other construction fastener brands.

SIZE	HEAD STYLE	CARTON QTY	WEIGHT-lb
10 X 1"	1/4" HWH	3000	9.0
10 X 1-1/2"	1/4" HWH	2500	10.1
10 X 2"	1/4" HWH	2000	12.3
10 X 2-1/2"	1/4" HWH	1500	15.4
10 X 3"	1/4" HWH	1000	17.2
12 X 3/4" STITCH	1/4" HWH	8000	8.8

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Home | Rustbuster Steel | Rustbuster Wood | Steelocker | Steelocker Heavy Duty | Steelocker HWH | Steelocker Low Profile | Woodgripper & Steelgripper | Woodlocker | Woodlocker II, Woodlocker Stainless | Woodlocker ACQ

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Our Products

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- Woodlocker Heavy Duty
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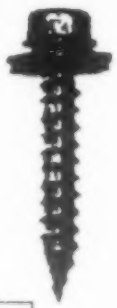
- Woodgripper & Steelgripper
- Woodlocker
- Woodlocker II
- Woodlocker Stainless
- Woodlocker ACQ
- Aluminize™ Long Life Coating

WOODLOCKER™ II Self-sealing fastener by SeaHight®



The SeaHight® Woodlocker™ I is ideal in situations where smaller diameter screws or nails are missing or have loosened and backed out of metal roofing.

The SeaHight® Woodlocker™ II Self-Sealing Fasteners come with a 5/16 Hex Washer Head (HWH) and a Type 17 point that provides excellent holding power even in wood substrates.

If the SeaHight® WoodLocker™ I is driven at an angle, No Problem the SeaHight® Woodlocker™ II Self-Sealing Fastener with SeaHight® brand EPDM sealing washer will still provide the perfect sealing solution giving you the SeaHight® self-sealing assurance like no one else can. To top it all off the high quality zinc plating greatly increases the corrosion resistance in comparison to other construction fastener brands.

SIZE	HEAD STYLE	CARTON QTY	WEIGHT/LB
14 X 1"	5/16" HWH	3000	19.0
14 X 1 1/2"	5/16" HWH	1500	23.0
14 X 2"	5/16" HWH	1000	27.0
14 X 2 1/2"	5/16" HWH	1000	32.0

Contact Us

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- Rustbuster Steel
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- Steelocker Low Profile
- Woodscrapper & Steelscrapper
- Woodlocker
- Woodlocker II
- Woodlocker Stainless
- Woodlocker ACQ
- Aluminatic™ Long Life Coating

WOODLOCKER™ STAINLESS

Self-sealing fastener by Sealtight®

The Sealtight® Woodlocker™ Stainless Self-Sealing Fasteners have a 1/4 Hex Washer Head with Groove (HWHG). The groove under the head perfectly seats the EPDM washer to provide leak proof protection.

Made of 304 Stainless Steel the Sealtight® Woodlocker™ is designed to stand up to even the most extreme environments.

All you need is a small pre-drilled hole and the Type A point does the rest.

The Sealtight® Woodlocker™ is offered in a #10 with following screw lengths to fulfill most building / construction fastener application requirements.

SIZE	HEAD STYLE	CARTON QTY	WEIGHT/lb
10 X 1"	1/4" HWHG	6000	7.0
10 X 1-1/2"	1/4" HWHG	2500	9.0
10 X 2"	1/4" HWHG	2000	12.0

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Our Products

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- Woodlocker
- Woodlocker II
- Woodlocker Stainless
- Woodlocker ACQ
- Australite™ Long Life Coating

WOODLOCKER™ ACQ

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Phone: 888-888-4884
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IN THE UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF ARKANSAS
WESTERN DIVISION

B & B HARDWARE, INC.	§	PLAINTIFF
	§	
	§	
	§	
V.	§	NO. 4:06-CV-01654 SWW
	§	
	§	
HARGIS INDUSTRIES, INC. et al	§	DEFENDANTS

DEFENDANT'S RESPONSE IN OPPOSITION TO PLAINTIFF'S MOTION FOR SUMMARY JUDGMENT

Defendant, Hargis Industries, LP ("Hargis" or "defendant") files this response in opposition to Plaintiff, B&B Hardware, Inc.'s ("B&B" or "plaintiff), Motion for Summary Judgment and respectfully shows the Court:

I. The TTAB Decision Regarding the Registrability of Hargis' Mark Is Neither Preclusive Nor Persuasive in this Trademark Infringement Action.

In an opinion dated August 28, 2007, the TTAB denied Hargis' application to register its mark, "Sealtite."[1] In support of its motion for summary

[1] The TTAB Opinion dated August 28, 2007 in Opposition No. 91155687 is attached to B&B's motion for summary judgment

judgment ("B&B MSJ"), B&B argues that the Court should "defer" to the TTAB registration decision, or give it "preclusive effect," or find it "persuasive" or "at a minimum, give reasonable weight to it." *See* Plaintiffs Brief in Support of Motion for Summary Judgment ("B&B Brief), pp. 1, 10, 11, 14, 15. In sum, B&B is obviously unsure what the Court should do with this administrative decision.

Hargis respectfully submits that the Court should do none of the foregoing, and instead exercise its exclusive jurisdiction to determine trademark use. B&B's argument, if it prevailed, would have the effect of giving the TTAB authority to determine this civil action for trademark infringement over Hargis' common law right to use its mark and elevate the TTAB beyond its jurisdictional powers. As demonstrated more fully below, Plaintiffs approach is not supported by (1) Eighth Circuit precedent, (2) TTAB precedent, (3) the very TTAB opinion on which B&B seeks to rest its case, (4) or the record evidence in this case.

A. TTAB Decisions Regarding Trademark Registration Have No Effect on Trademark Infringement Issues Before This Court.

This is a civil action for trademark infringement and unfair competition in which B&B seeks to recover, among other things, Hargis' profits since 2001, additional damages under the Lanham Act,

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as Exhibit 11. The opinion will be referred to as the "TTAB decision" and cited as "B&B MSJ, Exh. 11." This Response will be cited as "Hargis Response."

and injunctive relief permanently prohibiting Hargis from using its Sealtite mark.[2] *See* B&B Complaint, Dkt. No. 2; Bogatz depo. 237:7-19.[3] The TTAB decision in which B&B puts such great stock was issued in an *opposition* proceeding. *See* B&B MSJ, Exh. 11. The only issue before the TTAB was whether Hargis *could register its mark*. *See Id.* at 8-9. None of the monetary and injunctive relief sought in the current action before this Court—nor the question of Hargis' *use* of its mark—was at issue before the TTAB, nor could it have been. *Light Sources, Inc. v. Cosmedico Light, Inc.*, 360 F. Supp. 2d 432, 440 (D. Conn. 2005).

The TTAB, in that very decision, clearly articulated the limited nature of its determination and the absence of any bearing on the legal effect of the earlier judgment in *Hargis I*. No matter what the TTAB determined in the registration proceeding, B&B was not lawfully entitled to prevent Hargis' use of its Sealtite mark: "Thus, we find ourselves in the unusual situation whereby opposer [B&B] is precluded from *enjoining* applicant [Hargis] from using its mark, but opposer may nevertheless

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[2] In virtually every instance, Hargis uses "Sealtite" in the context of the name under which it does business, "Sealtite Building Fasteners."

[3] The Bogatz deposition excerpt is part of Exh. 2 to the Hargis brief in support of one of its motions for summary judgment, Dkt. No. 103. Mr. Bogatz testified that B&B seeks all of Hargis' profits since 2000, but counsel for B&B has advised that B&B seeks profits since 2001 or at some point thereafter, and the report submitted by its expert calculates damages beginning with the year 2001. *See* Dkt. No. 103, Decl. of Trey Yarbrough, Exh. E.

prevent applicant from *registering* its mark." B&B MSJ, Exh. 11, pp. 8-9. (emphasis added).

Decisions by the TTAB only affect registration; they have no preclusive effect on any issues relating to infringement and unfair competition. *B&B Hardware, Inc. v. Hargis Industries, Inc.*, 2007 WL 2711647 (E.D. Ark. Sept. 13, 2007) at *8. As an administrative agency, the TTAB cannot adjudicate matters of infringement or unfair competition, which relate to the use of a mark. *Id.* at *8, *citing Pure Gold, Inc. v. Syntex* (U.S.A.) Inc., 221 U.S.P.Q. 151, 153 (T.T.A.B. 1983), *aff'd*, 739 F.2d 624 (Fed. Cir. 1984) and *Electronic Water Conditioners, Inc. v. Turbomag Corporation*, 221 U.S.P.Q. 162, 163-164 (T.T.A.B. 1984) (unfair competition and claims under § 43(a) of the Lanham Act are outside the jurisdiction of the Board); *see also Andersen Corporation v. Therm-O-Shield International, Inc.*, 226 U.S.P.Q. 431, n. 5 (T.T.A.B. 1985) (the Board may not entertain any claim based on § 43(a) of the Lanham Act).

Consequently, decisions by the TTAB only affect registration; they have no preclusive effect on any issues relating to infringement and unfair competition, the issues which are pending before this Court:

> "Registration proceedings present the question of whether the [applicant] is entitled to register its trademark." *Tonka Corp.*, 836 F. Supp. at 213 (emphasis added); *see also* 15 U.S.C. § 1063(a) ("Any person who believes that he would be damaged by the *registration* of a mark upon the principal register . . . may, upon payment of the

> prescribed fee, file an opposition in the Patent and Trademark Office, stating the grounds therefor.") (emphasis added). Litigation before the TTAB in opposition proceedings is, therefore, limited to whether one has the right to register a mark, *and not whether one has the right to exclusive use of the mark in practice.*

Light Sources, Inc. v. Cosmedico Light, Inc., 360 F. Supp. 2d at 440. (emphasis added).

In support of its motion, B&B cites the August 4, 2004 TTAB decision denying Hargis' motion for summary judgment and the August 28, 2007 decision denying Hargis' application for registration. B&B Brief, p. 16. In both opinions, the TTAB elaborates further on the distinction between an opposition proceeding on the one hand and a civil action for trademark infringement on the other:

> "...it is well settled that the transactional facts of a civil action for trademark infringement are not the same as those of an opposition proceeding which involves a determination of the right to register."

B&B MSJ, Exh. 10, pp. 6-7, *citing Am. Hygienic Labs., Inc. v. Tiffany & Co.*, 228 U.S.P.Q. 855, 857 (T.T.A.B. 1986) and *Treadwell Drifters, Inc. v. Marshak*, 18 U.S.P.Q. 2d 1318, 1321 (T.T.A.B. 1990). *See also* B&B MSJ, Exh. 11, p. 8.[4]

The TTAB was simply enunciating the well-established principle that registration proceedings

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[4] There is a slight variance in the words used in the two opinions, but they are almost verbatim.

are something entirely separate from trademark infringement litigation. In *American Hygienic Laboratories, Inc.*, cited above, the TTAB is even more definitive and emphatic:

> [A] claim of infringement before the court and a claim of priority and likelihood of confusion before this Board are different claims. The former claim is, in essence, a claim of injury resulting from applicant's *use* of its mark in commerce; the latter claim, in essence, is a claim that opposer believes it would be damaged by *registration* of applicant's mark. While the determination of both claims may involve the determination of likelihood of confusion, trademark infringement and the right to use a mark are matters which the Board has no jurisdiction to consider.

American Hygienic Laboratories, Inc., 228 USPQ at 857 (TTAB's emphasis).

B&B's argument that the Court should give the 2007 TTAB decision in the registration/opposition proceeding deference or preclusive or persuasive effect in this action stands in direct opposition to longstanding precedent under the Lanham Act. Such an argument, in essence, authorizes the TTAB to determine this civil action for trademark infringement over Hargis' right to use its mark. This is something neither the TTAB itself nor the federal courts have ever advanced or condoned. The TTAB certainly never intended any such result. As noted above, the TTAB made a specific point of pronouncing the precise boundaries of its decision, i.e., that of the *registrability* of Hargis' mark and the

absence of any bearing on Hargis' use of the mark. B&B MSJ, Exh. 11, pp. 8-9.

For the reasons set forth in this Court's September 13, 2007 Memorandum Opinion and Order and the other decisions cited above, the TTAB's determination of the registrability of Hargis' mark in the opposition proceeding should have no bearing on this action for trademark infringement and should not be regarded as such.

B. Collateral Estoppel Does Not Apply Because the TTAB Applies a Different and Lower Evidentiary Standard for Likelihood of Confusion for Registration/Opposition Proceedings Than This Court Applies in a Trademark Infringement Suit.

> ...in collateral estoppel issue preclusion, the "issue" of likelihood of confusion determined in an opposition or cancellation may rest on a different evidentiary basis and therefore be a different "issue" that is being litigated in an infringement suit. Different issues in an infringement suit cannot be "decided" by a simplistic "gestalt" approach to claim and issue preclusion based on prior inter partes proceedings in the Patent and Trademark Office. Application of claim or issue preclusion requires a scalpel, not a sledgehammer.

6 McCarthy on Trademarks and Unfair Competition § 32:102 (2010).

While the TTAB and the Eighth Circuit use a multi-factor test in the likelihood of confusion analysis, a number of the factors are not the same. Moreover, in an opposition proceeding, the TTAB applies its factors in a manner which favors the registrant. The Eighth Circuit does not permit such preferential treatment in an infringement action.

For starters, the TTAB did not consider the strength or weakness of B&B's mark. The strength of the plaintiff's mark is the first element in a likelihood of confusion analysis in the Eighth Circuit. *Kemp v. Bumble Bee Seafoods, Inc.*, 398 F.3d 1049, 1053 (8th Cir. 2005). Indeed, the TTAB held that by virtue of the judgment in *Hargis I*, the Sealtight mark was a merely descriptive, weak mark, and B&B was barred from asserting that "Sealtight" was inherently distinctive or had acquired secondary meaning. However, it proceeded with the likelihood of confusion analysis on the basis of B&B's registration. B&B MSJ, Exh. 11, p. 16.

This is a fundamental difference between a TTAB registration proceeding and an infringement action before the Court. In a TTAB proceeding, a registrant can rely solely on the ownership of its registration and the TTAB is not required to address the strength or weakness of the mark. B&B MSJ, Exh. 11, pp. 8-9; Hargis Brief, Exh. 5 (Decl. of Molly Richard), p. 6. In a Court action, the plaintiff cannot simply stand on its registration. Even with an incontestable registration, there must be a determination as to whether the mark is weak or strong. Hargis Brief, Exh. 5, p. 6. Incontestable status has no bearing on a trademark's strength. *B&B Hardware, Inc. v.*

Hargis Industries, Inc., 2007 WL 2711647 at *10, citing *Munters Corp. v. Matsui America, Inc.*, 909 F.2d 250, 252 (7th Cir. 1990). Incontestability alone does not confer strength on a trademark. *Id.* at *10, citing *Oreck Corp. v. U.S. Floor Sys., Inc.*, 803 F.2d 166, 171 (5th Cir. 1986). The case law on this point is extensive and thoroughly discussed in the Court's Memorandum Opinion and Order dated September 13, 2007.

In a trademark action in this Court, likelihood of confusion is determined by a six-factor test: (1) the strength of the owner's mark; (2) the similarity of the owner's mark and the alleged infringer's mark; (3) the degree to which the products compete with each other; (4) the alleged infringer's intent to "pass off its goods as those of the trademark owner; (5) incidents of actual confusion; and (6) the type of product, its costs and conditions of purchase. *Squirtco v. Seven-Up Co.*, 628 F.2d 1086 (8th Cir. 1980); *Kemp v. Bumble Bee Seafoods, Inc., supra,* 398 F.3d at 1053.

In B&B's opposition to Hargis' application for registration, the TTAB used in its analysis six of the factors set forth in *E. I. du Pont de Nemours &Co.*, 476 F.2d 1357, 177 USPQ 563, 567 (CCPA 1973): (1) fame of the opposer's mark; (2) similarity or dissimilarity of the marks; (3) similarity or dissimilarity and nature of goods; (4) similarity or dissimilarity of likely-to-continue channels of trade; (5) degree of consumer care; and (6) instances of actual confusion. B&B MSJ, Exh. 11, pp. 16-29.

The analyses used by the Court in an infringement action and the TTAB in a registration/opposition proceeding are different in numerous material

respects. In the Eighth Circuit, a strong and distinctive mark is entitled to greater protection than a weak or commonplace one. *Squirtco*, 628 F.2d at 1091. (citations omitted). As previously noted, the TTAB did not consider the lack of strength of B&B's indisputably weak mark, and allowed B&B to oppose Hargis' application on the basis of B&B's registration. B&B MSJ, Exh. 11, p. 16. (Unless, however, it is suggested that the TTAB's factor on "fame" correlates to strength, of which the TTAB found no evidence with respect to B&B's mark.) The TTAB found that this factor did not support a likelihood of confusion. B&B MSJ, Exh. 11, p. 17.

For the TTAB, the factors in the analysis to which it gives the most weight are the similarities of the marks and the similarity of goods. B&B MSJ, Exh. 11, p. 32. In an infringement action in the Eighth Circuit, no one factor controls because the inquiry is inherently case specific. *Kemp*, 398 F.3d at 1054, *citing Squirtco*, 628 F.2d at 1091. The similarity of the marks and products "must occur in a context that recognizes how consumers encounter the products and how carefully consumers are likely to scrutinize the marks." *Kemp*, 398 F.3d at 1054. Here, there is substantial evidence presented by Hargis as to the level of purchaser sophistication and scrutiny. *See* Hargis Brief, Exh. 1 (Doc. 103-1, Crouch Decl.), H 6, 10-13; Hargis Response, Exh. 1 (George Moran Decl.).

With respect to the factor of "actual confusion," as discussed at greater length in Hargis' Motion for Summary Judgment on Likelihood of Confusion, the TTAB took into consideration evidence considered

incompetent and of no effect in the Eighth Circuit. *See* Dkt. No. 100, pp. 18-24; *Duluth News-Tribune v. Mesabi Publishing Co.*, 84 F.3d 1093, 1098 (8th Cir. 1996).

Probably the most significant difference between the administrative proceeding and an infringement action in district court is the plaintiff's burden of proof. In the opposition proceeding, the TTAB resolved any doubts in favor of B&B over Hargis: "To the extent that any doubts might exist as to the correctness of our likelihood of confusion analysis, especially considering the prior determination that opposer's mark is merely descriptive and has not acquired secondary meaning, we resolve such doubts against applicant." B&B MSJ, Exh. 11, p. 33 (citations omitted). B&B enjoys no such presumption or preferential treatment in trademark infringement litigation where it has the legal burden to prove its case by a preponderance of the evidence. If anything, B&B's burden is greater in the infringement analysis in light of the weakness of its mark. *Squirtco, supra* at 1091.

Importing this lower standard into a trademark infringement action would alleviate B&B of its legal burden of proof as plaintiff. Such a result, even where the former action was litigated in a district court setting, serves as one reason why the Supreme Court has warned against this form of *offensive* collateral estoppel. *See Parklane Hosiery Co., Inc. v. Shore*, 439 U.S. 322, 330-331, 99 S. Ct. 645, 651-652 (1979). The Court cautioned against the use of offensive collateral estoppel where the second action affords the defendant procedural opportunities

unavailable in the first action or would otherwise be unfair to the defendant. *Id.* at 330-331, 651-652.

Finally, the TTAB does not even consider the "intent" factor in its analysis, one of the six Squirtco factors in an infringement action. *Kemp*, supra, at 1053.

C. An Examination of the TTAB Opinion Itself Demonstrates Why It Should Not Be Preclusive or Persuasive In This Infringement Action, or Given Any Deference By The Court.

Beyond the material differences in analytical approach and the application of the factors described above, the substance of the TTAB opinion also demonstrates why it should not be preclusive or persuasive or given deference in this infringement action in support of likelihood of confusion. First, of the six *Du Pont* factors the board examined, it found that two weighed against likelihood of confusion, three supported it, and one factor was "neutral," because in the board's opinion the evidence on that element was not adequately developed. B&B MSJ, Exh. 11, pp. 17, 18, 23, 26, 29, 32. So, of the six elements considered by the board, it found that less than a majority of same supported likelihood of confusion. As previously noted, the board did not consider two important factors in the *Squirtco* analysis— the strength of B&B's mark and the "intent" element— and gave greatest weight to two of the elements it found supported their ultimate determination—similarity of the marks and similarity and nature of the goods. While Hargis respectfully submits that the board was clearly

wrong on the alleged similarity of the goods, this Court does not give greater weight to either of those two factors.

B&B references that the board found actual confusion. With respect to this factor, Hargis notes the following. First, the board found the testimony of B&B's president and principal witness on this factor neither "very compelling" or genuine, but "tailored for this litigation." B&B MSJ, Exh. 11, p. 31. Additionally, it found B&B's evidence on this factor, generally speaking, "not especially compelling." *Id.* at 32. Of greatest importance, the apparent basis on which the board ultimately weighted this factor in favor of B&B was Hargis' honest acknowledgment of, "on occasion," a misdirected phone call from Fastenal. *Id.* at *31.*[5] This type of evidence, however, will not survive

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[5] In its determination to survive summary judgment and seek its own, B&B blatantly misstates the record evidence on this point. B&B argues that "Hargis conceded that Fastenal, a customer common to both B&B and Hargis, had *repeatedly* attempted to purchase B&B products from Hargis..." B&B Brief at 5. (emphasis added). No witness of Hargis, including Mr. Crouch, has ever testified that Fastenal has *repeatedly* attempted to make such purchases. The evidence submitted by B&B itself substantiates this fact. Messrs. Hargis, Quehl (who runs the Ohio office and is head of marketing), and Crouch have never personally received any such calls *(see, e.g.*. Exhibit "F\ Deposition of Mr. Quehl, pp. 56-57). In preparation for *Hargis I,* Crouch sought out information of *any* such calls from his sales representatives and determined that "on rare occasion" such calls had been received from one customer, Fastenal, a very large distributor of a wide spectrum of fasteners, to whom Hargis sells less than two tenths of one per cent of its fastener products. Hargis Brief in Support of Motion for Summary Judgment or, in the alternative, Partial Summary Judgment, Exh. If 9 (Doc. 103-1).

summary judgment in the Eighth Circuit, as more fully discussed in Hargis' Brief in Support of its Motion For Summary Judgment on Likelihood of Confusion. Dkt. No. 100, pp. 18-24; *see Duluth News-Tribune v. Mesabi Publishing Co.*, 84 F.3d 1093, 1098 (8th Cir. 1996).

With respect to the factor of consumer care, the board this time found B&B's testimony "implausible that someone using fasteners in high tech applications, such as aerospace, fluid power, or marine industries...would not exercise a high degree of care in his or her purchasing decisions" and equally implausible in other respects. B&B MSJ, Exh. 11, p. 28. However, the board found that the evidence on this point was not developed in sufficient detail to draw a conclusion and found it neutral. While Hargis disagrees with the board's assessment in that particular respect, the evidence in this infringement action, including the summary judgment evidence, has been more fully developed through both fact and expert witnesses. Indeed, Hargis' summary judgment evidence on this point is strong and compelling.

D. The TTAB's Finding of Likelihood of Confusion Is Not Preclusive or Persuasive Under Eighth Circuit Precedent.

B&B argues that the Eighth Circuit has given preclusive effect to TTAB decisions, citing one opinion --*Flavor Corp. of Am. v. Kemin Indus., Inc.*, 493 F.2d 275 (8th Cir. 1974). B&B, not unexpectedly, argues an overly broad interpretation and application of the Eighth Circuit's opinion and

the district court opinion from which an appeal was taken.

The principal issue on appeal from the district court to the Eighth Circuit was whether a finding of the Court of Customs and Patent Appeals ("CCPA") in a trademark cancellation proceeding operates as collateral estoppel in a subsequent trademark infringement action. 493 F.2d at 277. That determination, in turn, hinged upon whether the Court of Customs and Patent Appeals (now the Federal Circuit) was a "*court of competent jurisdiction to bind the parties in a subsequent action.*" *Id.* at 279. (emphasis added). In answering that question, which was a novel concept at the time, the Eighth Circuit reviewed the history of the CCPA:

> In John Morrell & Co. v. Doyle, 97 F.2d 232 (7th Cir.), cert, denied, 305 U.S. 643, 59 S. Ct. 146, 83 L. Ed. 415 (1930), the court held that CCPA determinations were not entitled to collateral estoppel effect in subsequent infringement actions because the CCPA was not an Article III court. When Morrell was decided in 1938, the CCPA was merely an administrative arm of the Patent Office. *Postum Cereal Co. V. California Fig Nut Co.*, 272 U.S. 693, 47 S. Ct. 284, 71 L. Ed. 478 (1927). Subsequently, however, in 1948, Congress enacted 28 U.S.C. § 1256, permitting certiorari review by the Supreme Court of decisions of the CCPA. In 1958, Congress made the CCPA an Article III court, 28 U.S.C. § 211. Finally, in *Brenner v. Manson*, 383 U.S. 519, 86 S. Ct. 1033, 16 L.Ed.2d 619 (1967), the Supreme Court reviewed the status of the CCPA and

> declared their decisions 'final and binding in the usual sense. '383 U.S. at 526, 86 S. Ct. at 1037. Postum was declared to have 'no vitality in the present setting.' 383 U.S. at 527, 86 S. Ct. at 1038. The rationale for Morrell expired with Postum.

Id. at 280-81. (emphasis added). Upholding the status of the CCPA as an Article III Constitutional Court, the Eighth Circuit wrote:

> We therefore hold that *where the CCPA* has found a likelihood of confusion between two similar marks in a cancellation proceeding, that fact is precluded from relitigation in a subsequent infringement action between the same parties under the doctrine of collateral estoppel.

Id. at 281. (emphasis added).

Language throughout the Eighth Circuit opinion in *Flavor* makes it abundantly clear that the CCPA's determination of likelihood of confusion and its status as an Article III court was also essential to the Court's decision to affirm the lower court decision:

> The court [the district court] accepted a *prior determination by the Court of Customs and Patent Appeals* (CCPA) that the marks were so confusingly similar as to cause a likelihood of confusion,...
>
> Judge Stuart held the doctrine of collateral estoppel was applicable to *those factual questions actually decided by the CCPA*, and hence Kemin was estopped from challenging the CCPA's

holding that the marks were so confusingly similar as to cause a reasonable likelihood of confusion. 358 F. Supp. at 1121.

***

The general principle announced in numerous cases is that a right, question or fact distinctly put in issue, and directly determined by a *court of competent jurisdiction*, as a ground of recovery, cannot be disputed in a subsequent suit between the same parties or their privies;...

The essence of collateral estoppel by judgment is that some question or fact in dispute has been judicially and finally determined by a *court of competent jurisdiction* between the same parties or their privies...

The parties in this appeal are the same as those who appeared before the CCPA, it was within the CCPA's jurisdiction to determine whether PESTLUR and LURE were so similar as to create a likelihood of confusion and to refuse registration and the CCPA judgment is final.

Id. at 277, 278, 278-279, 279. (emphasis added).

It is equally clear that the defendant's appeal to the CCPA, the district court's determination of the CCPA's status as an Article III Constitutional Court, and the CCPA's own participation in the determination of likelihood of confusion were essential to the earlier district court's decision to apply collateral estoppel.

Defendants contend the overwhelming weight of judicial authority holds a CCPA decision in a

> cancellation proceeding does not apply as a collateral estoppel in a subsequent trademark infringement suit. I cannot agree.
>
> ***
>
> However, in Brenner v. Manson (1965), 383 U.S. 519, 86 S. Ct. 1033, 16 L.Ed.2d 69, involving the Supreme Court's right to review a CCPA decision by certiorari, the Court held the 1948 amendment to 28 U.S.C. § 1256 gave the CCPA the status of an Article III Constitutional Court, saying: "Thus the decision sought to be reviewed is that of an Article III Court. It is 'judicial' in character. It is not merely an instruction to the Commissioner *or part of the* 'administrative machinery' of the Patent Office. It is final and binding in the usual sense."
>
> ***
>
> *Libbey-Owens-Ford Glass Co. v. Shatterproof Glass Corp.* (E.D. Mich., 1970), 165 USPQ 335, 336, reached the court in much the same manner as the instant case. Judge Levin, in a well supported opinion, reached the conclusion that "issues and questions of fact which were *actually litigated and determined by the CCPA* are conclusive in this action." I agree and so hold.

Flavor Corporation of America v. Kemin Industries, Inc., 358 F. Supp. 1114, 1117-1118, 1119 (S.D. Iowa 1973). (emphasis added).

In its opinion, the Eighth Circuit does not make a single reference to the TTAB in its analysis of whether collateral estoppel should be applied in the

subsequent infringement action. The extensive discussion and determination by both the district and appellate court that the CCPA was not simply an administrative body of the Patent Office but an Article III Constitutional Court clearly indicates that had the findings been made by the TTAB alone, absent an appeal to an Article III court, those findings would not have been preclusive in the subsequent infringement action. *See Flavor Corp.*, 358 F. Supp. at 1117-1118; 493 F.2d at 280-281. B&B conveniently ignores the courts' pronouncements in this critical aspect of each decision.

B&B makes the ludicrous argument that Hargis—by arguing to the Court that the TTAB decision in the registration proceeding has neither preclusive nor persuasive effect-seeks to circumvent the two month deadline for appeals from TTAB registration determinations. B&B Brief, p. 12, fn. 9. Ironically, B&B seeks to use the TTAB opinion to circumvent its burden of proof in this trademark infringement case. Hargis did not bring this infringement action, B&B did. The TTAB decision was over the *registration* of Hargis' mark, not Hargis' right to *use* its mark free from litigious interference by B&B, which is the subject of this suit. It is one matter not to secure registration of one's mark; it is an entirely different matter to be sued for enormous damages and injunctive relief in an infringement action. In a suit for trademark infringement, such as this one, the TTAB opposition proceeding and Hargis' decision not to appeal the TTAB decision does not absolve B&B of its burden under the law to prove, among other things, likelihood of confusion under the *Squirtco* and *Kemp* elements and analysis.

E. The Other Cases Cited by B&B Are Clearly Distinguishable.

Jean Alexander Cosmetics, Inc. v. L'Oreal USA, Inc., 458 F.3d 244 (3d Cir. 2006), cert, denied, 127 S. Ct. 1878 (2007), cited by B&B, involved the *defensive* assertion of collateral estoppel. *Id.* at 249. The court specifically discussed the distinction between offensive collateral estoppel and defensive collateral estoppel and the policy concerns unique to offensive collateral estoppel. *Id.* at 248-249. What B&B seeks here is offensive collateral estoppel, something entirely different. Another case cited by B&B, in a footnote, is *EZ Loader Boat Trailers, Inc. v. Cox Trailers, Inc.*, 746 F.2d 375 (7th Cir. 1984). Like *Flavor*, *EZ Loader* involved subsequent judicial review by what had then become the Federal Circuit Court of Appeals. *Id.* at 378. ("Moreover, EZ sought and obtained judicial review of the Board's conclusions."). *EZ Loader* also involved the application of defensive collateral estoppel. Regardless, as discussed above, there is no Eighth Circuit precedent to support the application of *either* form of collateral estoppel absent a judicial and final determination by a "court of competent jurisdiction." *See Flavor*, 493 F.2d at 279.

B&B argues that even if the Court "is not inclined" to give the TTAB findings preclusive effect, it should defer to such decisions unless the contrary is established by evidence that, in character and amount, carries 'through conviction.' B&B cites *Noah's, Inc. v. Nark, Inc.*, 560 F. Supp. 1253, 1258 (E.D. Mo. 1983), *aff'd* by 728 F.2d 410 (8th Cir. 1984). *Noah's* was a *de novo* proceeding in district

court initiated by the defendant pursuant to 15 U.S.C. § 1071(b), after the plaintiff appealed a decision of the TTAB to the Court of Customs and Patent Appeals. *Id.* at 1255, 1258. The issue before the court was whether the plaintiff had abandoned its right to obtain nationwide protection for its mark as a result of its inactivity or failure to expand over a reasonable period of time. *Id.* at 1258. The court determined that the plaintiff had relinquished its right as a prior user to a federally unrestricted trademark. *Id.* at 1260. In referencing the "through conviction" standard, the Court specifically noted that 15 U.S.C. § 1071(b), the statutory provision under which the *de novo* appeal had been taken, had been interpreted to require the use of such standard. This is not a *de novo* appeal under 15 U.S.C. § 1071(b), but an action for damages and injunctive relief under the Lanham Act. *Noah's* is clearly distinguishable and not applicable to the case at hand. *Morgan v. Daniels*, 153 U.S. 120 (1894), cited by B&B as giving rise to the "through conviction" rule, involved the question of which party to the action was the original inventor and was handed down a half century before the Lanham Act was passed.

Finally, B&B cites *United States v. Utah Constr. & Mining Co.*, 384 U.S. 394 (1966) for the proposition that the Supreme Court indicates "that findings in administrative proceedings, such as the TTAB's, will have collateral estoppel effect." B&B Brief, p. 14. This case, however, was an appeal from a decision of the Advisory Board of Contract Appeals whose findings the Wunderlich Act of 1954 gives "final and conclusive" effect. *See* 41 U.S.C. § 321. It had

nothing to do with the TTAB or a suit for trademark infringement under the Lanham Act.

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[Signature block omitted]

IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF ARKANSAS WESTERN DIVISION

B&B HARDWARE, INC.	PLAINTIFF,
	Case No. 4:06-CV-01654 SWW
VS.	
HARGIS INDUSTRIES, LP., d/b/a SEALTITE BUILDING FASTENERS, and d/b/a EAST TEXAS FASTENERS, A TEXAS CORPORATION, EAST TEXAS FASTENERS, A BUSINESS ENTITY OF FORM UNKNOWN AND DOES 1 THROUGH 10, INCLUSIVE	DEFENDANTS

RESPONSE TO STATEMENT OF UNDISPUTED MATERIAL FACTS

Defendant Hargis Industries, LP, for its Response Statement of Undisputed Facts, states as follows:

1. Denied for lack of information and belief, but admit that B&B began using its "Sealtight" mark before Hargis began using its "Sealtite" mark.

2. State that the application speaks for itself and deny to the extent inconsistent therewith.

3. State that the POT's approval and registration documents speak for themselves and deny to the extent that this statement is a characterization inconsistent therewith.

4. Denied for lack of information, knowledge, and belief.

5. Denied for lack of information, knowledge, and belief. State further that information as to sales and advertising expenses has been requested in discovery and only unsubstantiated figures have been produced.

6. Denied for lack of information, knowledge, and belief.

7. Denied for lack of information, knowledge, and belief.

8. Admitted.

9. Admitted.

10. Admitted.

11. State that the financial information referenced speaks for itself, and deny to the extent that this statement is a characterization inconsistent therewith.

12. State that the application with the PTO speaks for itself and deny to the extent that this statement is a characterization inconsistent therewith.

13. State that the document referenced speaks for itself and deny to the extent that this statement is a characterization inconsistent therewith.

14. State that the procedural history of the case speaks for itself and deny to the extent inconsistent therewith.

14. State that the procedural history of the case speaks for itself and deny to the extent inconsistent therewith.

15. State that the procedural history of the case speaks for itself and deny to the extent inconsistent therewith.

16. State that the procedural history of the case speaks for itself and deny to the extent inconsistent therewith.

17. State that the procedural history of the case speaks for itself and deny to the extent inconsistent therewith.

18. State that the procedural history of the case speaks for itself and deny to the extent inconsistent therewith.

19. State that the procedural history of the case speaks for itself and deny to the extent inconsistent therewith.

20. State that the procedural history of the case speaks for itself and deny to the extent inconsistent therewith.

21. Admit that Hargis made an attempt to register the "Sealtite" mark. Deny to the extent inconsistent with or in addition to said admission;

22. State that the procedural history of the case speaks for itself and deny to the extent inconsistent therewith.

23. State that the procedural history of the case speaks for itself and deny to the extent inconsistent therewith.

24. State that the proceedings before the TTAB speak for themselves and deny to the extent that this statement is inconsistent therewith.

25. Admit that B&B filed for incontestability status. Deny that incontestability status was lawfully obtained. Affirmatively state that it was procured through a fraudulent misrepresentation, as set forth in Hargis' Brief in Support of Motion for Summary Judgment (Docket # 103).

26. Denied, as incontestability status was procured through fraud. See response to Statement #25 above.

27. Denied, and state that use of the word "repeatedly" is a mischaracterization of the statement in the TTAB Final Order, which states that Hargis admitted that "on occasion we will have a customer call and identify a B&B product that they want to purchase." Further state that use of the word "repeatedly" is a mischaracterization of Mr. Crouch's deposition testimony. Mr. Crouch never used the word "repeatedly", and in fact testified that such

"rarely" occurs. Further state that use of the word "repeatedly" is a mischaracterization of Mr. Hargis' deposition testimony. Mr. Hargis never used the word "repeatedly", and in fact testified that such "very, very infrequently" occurs. State that in any event the referenced evidence speaks for itself, and deny to the extent this statement is a characterization inconsistent therewith.

28. Admitted.

29. State that the procedural history of the case speaks for itself and deny to the extent inconsistent therewith.

30. State that the procedural history of the case speaks for itself and deny to the extent inconsistent therewith.

31. State that the procedural history of the case speaks for itself and deny to the extent inconsistent therewith.

32. State that the TTAB's opinion speaks for itself and deny to the extent that this statement is a characterization inconsistent therewith.

33. Denied for lack of information, knowledge and belief, and state affirmatively that although B&B has produced documentary evidence and testimony which it claims evidences instances of people contacting B&B when they intended to contact Hargis, none of the evidence or testimony, if credited, evidences anything other than a person's contacting B&B when he or she should have contacted Hargis; the reason for the mistake is not knowable from the

evidence and it would require pure speculation to conclude that the person was confused as to the source of either Hargis' or B&B's products. Further state that there is no evidence whatsoever that any of these individuals who supposedly called B&B were "customers" of B&B. State that in any event, the evidence is inadmissible hearsay and is not competent to prove actual confusion.

34. Deny that the referenced incident, if it occurred, is proof of actual confusion. State further that even if this evidence is credited, it would require pure speculation to conclude that the person was calling regarding any product made or sold by Hargis, and if he or she was, even more speculation to conclude that the person was confused as to the source of either Hargis' or B&B's products. . State that in any event, the evidence is inadmissible hearsay and is not competent to prove actual confusion.

35. Deny that the referenced incident, if it occurred, is proof of actual confusion. State further that even if this evidence is credited, it would require pure speculation to conclude that the person was confused as to the source of either B&B's or Hargis' products. . State that in any event, the evidence is inadmissible hearsay and is not competent to prove actual confusion.

36. Denied. As set forth above, "repeated" (sic) is a mischaracterization. Joe Hargis and Bruce Crouch testified that "rarely" and "very infrequently" Hargis has received calls from individuals inquiring about B&B products. State that in any event, it would require pure speculation to conclude that the person

was confused as to the source of either B&B's or Hargis' products. State that in any event, the evidence is inadmissible hearsay and is not competent to prove actual confusion.

37. Deny that the referenced incident, if it occurred, is proof of actual confusion. State further that even if this evidence is credited, it would require pure speculation to conclude that the person was confused as to the source of either B&B's or Hargis' products. State that in any event, the evidence is inadmissible hearsay and is not competent to prove actual confusion.

38. State that the procedural history of the case speaks for itself and deny to the extent inconsistent therewith.

39. State that the procedural history of the case speaks for itself and deny to the extent inconsistent therewith.

Statement of Material Facts As to Which Hargis Contends there is a Genuine Issue [1]

1. Whether there is a likelihood of confusion between Hargis' "Sealtite" mark and B&B's "Sealtight" mark.

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[1] Hargis has moved for summary judgment on all of these issues and contends that the undisputed evidence entitles it to summary judgment on same. However, in the even the Court denies Hargis' motion, Hargis contends that there would be issues of fact precluding summary judgment in favor of B&B on these issues.

2. Whether the parties' products are in competitive proximity to one another.

3. The strength or weakness of B&B's "Sealtight" mark.

4. The degree of sophistication and care of purchasers of B&B's and Hargis' products.

5. Whether Hargis has ever acted with the intent to confuse its "Sealtite" products with B&B's "Sealtight" products, and whether Hargis has ever acted with the intent to palm off its "Sealtite" products as being made by or associated with B&B.

6. Whether any actual confusion between the parties' marks has occurred.

7. Whether B&B's incontestability status as to its "Sealtight" mark was procured through fraud.

8. Whether the requisite intent on the part of Hargis exists to support an accounting of profits in favor of B&B.

[Signature block omitted]

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF ARKANSAS
WESTERN DIVISION

B&B HARDWARE, INC.	PLAINTIFF,
	Case No. 4:06-CV-01654 SWW
VS.	
HARGIS INDUSTRIES, INC., d/b/a SEALTITE BUILDING FASTENERS, and d/b/a EAST TEXAS FASTENERS, A TEXAS CORPORATION	DEFENDANT

PLAINTIFF'S REPLY TO HARGIS' RESPONSE TO B&B'S MOTION FOR SUMMARY JUDGMENT

Plaintiff B&B Hardware, Inc. ("B&B") submits this Reply in Opposition to Defendant's Response to Plaintiffs Motion for Summary Judgment. Plaintiff's motion should be granted as a matter of law.

INTRODUCTION

Despite a prior finding by the United States Trademark Trial and Appeal Board (the "TTAB") that there is a likelihood of confusion between B&B's "Sealtight"® mark and the mark "Sealtite" used by Defendant Hargis Industries, Inc. ("Hargis" or "Defendant"), Defendant asserts that the TTAB's

opinion has no effect on the issues before this Court and should be completely disregarded. Instead, the Court should defer to the TTAB decision on likelihood of confusion, or at a minimum, give reasonable weight to it. In the latter situation, the TTAB decision on likelihood of confusion combined with the undisputed evidence presented by B&B in this Motion dictates a finding of likelihood of confusion as a matter of law, as opposed to the opposite as urged by Hargis.

ARGUMENT

I. Deference to TTAB.

As the Court is well aware by now, in 2007, the TTAB issued a decision wherein it found that Hargis' "Sealtite" mark was likely to be confused with B&B's "Sealtight"® trademark. See TTAB Opinion dated August 28, 2007, attached to Plaintiffs Motion for Summary Judgment as Exhibit 11. Incredibly, Defendant asserts that this TTAB decision should have no effect on this proceeding and should be completely disregarded by this Court.

In making this assertion, Defendant does not even mention the leading case on point in the Eighth Circuit, which is *Flavor Corp. of Am. v. Kemin Indus., Inc.*, 493 F.2d 275 (8th Cir. 1974)[1]. In *Flavor*, the district court found defendant Kemin Industries, Inc. ("Kemin") liable for infringement of plaintiff Flavor Corporation's ("Flavor") registered trademark, based on an earlier decision of the TTAB in a

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[1] Hargis does discuss the *Flavor* case later on in its brief, which it addresses on page 10.

cancellation proceeding. *See Flavor Corp. of Am. v. Kemin Indus., Inc.*, 358 F. Supp. 1114, 1121 (D. Iowa 1973). The court relied upon the rule that administrative determinations of factual questions rendered by bodies with fact finding procedures "which approximate those of a court," are binding, at least when affirmed by a statutory court. *Id.* at 1120. It also indicated that there was nothing in the record to suggest that the TTAB, the administrative body in question, had accepted, or decided on the basis of, evidence which would have been unacceptable to a court. *Id.*

Kemin appealed to the Eighth Circuit, arguing that it should not be collaterally estopped from challenging the decision of the TTAB in the subsequent civil litigation between the parties. The Eighth Circuit affirmed the district court's decision, holding that the factual determinations made by the TTAB, and later affirmed by the Court of Customs and Patent Appeals ("CCPA")[2], were "precluded from relitigation in a subsequent infringement action between the same parties under the doctrine of collateral estoppel." *Flavor*, 493 F.2d at 281.

In the current case, the fact finding procedures employed by the TTAB in the extensive proceedings between these parties clearly approximated those of a court. Among other things, the introduction of evidence before the TTAB is governed by the Federal Rules of Evidence and relevant portions of the

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[2] Congress conferred Article III status upon the Court of Customs and Patent Appeals ("CCPA") in 1958. In 1982, the CCPA was replaced by the Court of Appeals for the Federal Circuit, another Article III court.

Federal Rules of Civil Procedure.[3] Thus, consistent with the district court's reasoning in *Flavor*, because the TTAB is an agency with fact finding procedures which approximate those of a court (e.g., Federal Rules of Evidence), then *preclusion should obtain*.

At a minimum, Eighth Circuit authority requires the district court to show deference to the TTAB's decisions. Even if the Court is not inclined to give the findings of the TTAB preclusive effect outright, it should defer to such decisions unless the contrary is established by evidence that, in character and amount, carries "through with conviction." *See Noah's, Inc. v. Nark, Inc.*, 560 F. Supp. 1253, 1258 (E.D. Mo. 1983), *aff'd by* 728 F.2d 410 (8th Cir. 1984). This rule has its origins in the U.S. Supreme Court decision in *Morgan v. Daniels*, 153 U.S. 120 (1894), in which the Court addressed a challenge to the PTO's determination of priority of invention. Relying on case law from a variety of other contexts, the Court held that the agency is entitled a unique standard of deference. [4]

In the Eighth Circuit, this rule has been applied to decisions of the TTAB. In *Noah's, Inc.*, the court held "that although the civil action before a district court

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[3] *Trademark Trial and Appeal Board Manual of Procedure* § 702 (2d ed. 2004).

[4] "Upon principle and authority . . . it must be laid down as a rule that, where the question decided in the patent office is one between contesting parties as to priority of invention, the decision there made must be accepted as controlling upon that question of fact in any subsequent suit between the same parties, unless the contrary is established by testimony which in character and amount carries thorough conviction." *Morgan*, 153 U.S. at 125.

is intended to be a trial *de novo* [under 15 U.S.C. § 1071], the decision of the Board must be accepted as controlling on issues of fact unless the contrary is established by testimony which in character and amount carries *through* [sic] *conviction*" *Noah's*, 560 F. Supp. at 1258 (internal quotations omitted) (emphasis added). Applying this standard, the *Noah* court held that it was "*required to accept the factual findings of the agency*, the contrary of which the parties have failed to establish in an amount that carries through with conviction." *Id.* (emphasis added).

Hargis further argues that collateral estoppel does not apply because the TTAB applies a different and lower evidentiary standard for likelihood of confusion. *See* Def.'s Resp. Br. at 5. In making this argument, Defendant ignores the U.S. Supreme Court's indication that findings in administrative proceedings, such as the TTAB's, will have collateral estoppel effect. *See United States v. Utah Constr. & Mining Co.*, 384 U.S. 394, 422 (1966), *superseded by statute on other grounds*. In the *Utah Construction case*, the Court noted that "[w]hen an administrative agency is acting in a judicial capacity and resolved disputed issues of fact properly before it which the parties have had an adequate opportunity to litigate, the courts have not hesitated to apply *res judicata* to enforce repose." *Id.* This rationale has been applied to decisions involving the TTAB.[5]

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[5] Citing specifically to the Eighth Circuit's decision in *Flavor*, McCarthy, the most respected treatise author on Trademark Law, states that "[s]ome courts will treat Trademark Board decisions as administrative judgments which carry full

Defendant also ignores the fact that, in the Eighth Circuit cases, like *Flavor*, where the TTAB decision was given preclusive effect, the issue in the case was whether there was a likelihood of confusion, which is almost always the issue with a TTAB opinion. Thus, other courts have not been concerned about a different standard of proof, or the application of slightly different factors. Indeed, each circuit court of appeals has its own set of likelihood of confusion factors.

Defendant claims that the burden of proof is different in the TTAB. However, in support of this assertion, Hargis cites to the statement at the end of the 2007 opinion, where the panel states, "[t]o the extent that any doubts might exist as to the correctness of our likelihood of confusion analysis, especially considering the prior determination that opposer's mark is merely descriptive and has not acquired secondary meaning, we resolve such doubts against applicant." See 2007 TTAB opinion, Exhibit 11 to B&B's Mot. for S.J., at 33. This statement was made after the TTAB went through a lengthy analysis of the likelihood of confusion factors. The statement does not say that any burden of proof is different.

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preclusive effect to adjudicated facts, if these are the same facts which are in issue in the later court proceeding." 6 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 32:97 (4th ed. 2010). McCarthy further notes that there are other courts that will not give preclusive effect but may give some weight to TTAB inter partes decisions. S*ee id.* § 32.98. McCarthy opines that the better view is to give preclusive effect to TTAB decisions "as long as the issues in the two cases are indeed identical and the other rules of collateral estoppel are carefully observed." *Id.* § 32.99.

Defendant also claims that the TTAB gave greater weight to the similarity of the marks and the nature of the goods factors in its analysis. *See* Def.'s Resp. Br. at 7. That is not what the TTAB opinion says. Instead, it clearly says that those two factors turned out to be the most important *sub judice*, or in this case. That does not mean, as Hargis argues, that the TTAB always gives the most weight to those factors. *See In re Majestic Distilling Co.*, 315 F.3d 1311, 1315 (Fed. Cir. 2003) ("Not all of the *DuPont* factors may be relevant or of equal eight in a given case, and any one of the factors may control a particular case") (internal quotations omitted).

Defendant mentions that B&B is "unsure" of what the Court should do with the TTAB decision. *See* Def.'s Resp. Br. at 1. B&B is not "unsure" at all. If the Court follows Eighth Circuit precedent, it will give preclusive effect to the TTAB finding of likelihood of confusion and grant summary judgment to B&B, and obviate the need for a lengthy jury trial on trademark infringement. *See Flavor*, discussed *supra*. However, B&B recognizes that not all of the circuits are of the same view as to the deference to be accorded a TTAB opinion. The Eighth Circuit is one of the circuit courts of appeal to have given preclusive effect to the decisions of the TTAB.[6]

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[6] Both the Seventh Circuit and the Third Circuit also have given preclusive effect to decisions of the TTAB. *See, e.g., EZ Loader Boat Trailers, Inc. v. Cox Trailers, Inc.*, 746 F.2d 375, 378 (7th Cir. 1984), in which the court held "[t]here is no question that the T.T.A.B. was acting in a judicial capacity. . . . Both parties to this appeal were represented by attorneys before the Board; both presented evidence and submitted briefs. Moreover, [the plaintiff] sought and obtained judicial review of the Board's conclusions." Similarly, in *Jean Alexander*

Accordingly, B&B asserts that if this Court chooses not to give preclusive effect to the opinion, it should at least give it significant persuasive weight.

In sum, Eighth Circuit authority allows the Court to give preclusive effect to the TTAB decision on likelihood of confusion, and it should do so. In the alternative, the Court should defer to and give weight to the TTAB's likelihood of confusion finding. When coupled with the evidence presented in support of the likelihood of confusion factors, *see infra*, the Court should find that a likelihood of confusion exists as a matter of law.

* * * * *

CONCLUSION

The Court should grant Plaintiffs motion for summary judgment and find that, as a matter of law, B&B has proven trademark infringement.

[Signature block omitted]

Cosmetics, Inc. v. L'Oreal USA, Inc., 458 F.3d 244 (3d Cir. 2006), *cert. denied*, 127 S. Ct. 1878 (2007), the Third Circuit gave preclusive effect to a TTAB decision on likelihood of confusion.

IN THE UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF ARKANSAS
WESTERN DIVISION

B&B HARDWARE, INC.,
Plaintiff/Counterdefendant,
v. No. 4:06CV01654 SWW

HARGIS INDUSTRIES, INC., d/b/a SEALTITE BUILDING FASTENERS, ET AL.,
Defendants/Counterclaimants.

June 21, 2010

Little Rock, Arkansas

1:34 p.m.

TRANSCRIPT OF TRIAL, VOLUME 1
BEFORE THE HONORABLE SUSAN WEBBER WRIGHT, UNITED STATES DISTRICT JUDGE, and a jury

* * * * *

THE COURT:

* * * * *

[6] If they come back with plaintiff's verdicts, then we will go into the damages aspect of the case. And so that's -- I'm thinking about doing that, and the reason, again, and I repeat, is I don't want to try this again. There are so many issues you brought before me that I am afraid if I don't make my complete record, it will be back before me. And I know that these parties are not going to settle and are very litigious and don't mind paying you lawyers. So this is the way I intend to do it.

As a result, B&B's motion for summary judgment will be denied. I find that the confusion determination by the TTAB will not -- is not dispositive for this Court. The burden is on B&B to prove the likelihood of confusion as to source, and the determination of confusion by the board was not appealed to an Article 3 Court. B&B's burden of proof in this court is not the same as what it had to establish before the board. The board gives deference to the party that has the trademark and, in that instance, it was the registrant, B&B.

I also find the *Faber Corporation* decision out of the Eighth Circuit, a 1974 decision, it is not dispositive. It can be distinguished because in that case at least part of that TTAB ruling was appealed to what was then called the patent -- the Court of Patent Appeals -- what is that? Trade -- what was that called? Trademark Patent Appeals? Anyway, the Court is now the Eighth Circuit.

What was that called?

[7]

MS. PERKINS: Court of Customs --

THE COURT: Yeah. When I was in law school, that's what it was.

Now, Hargis Industries also has a motion for summary judgment on likelihood of confusion, and that is denied. I realize you have some arguments that are persuasive that this is not confusing, but I believe B&B also has some arguments that there is confusion. And I will send it to the jury.

The next item on my list is Hargis's motion for summary judgment or, alternatively, for partial summary judgment. That is denied as well. However, the failure to disclose the Section 15 application -- I mean, the failure to disclose the 2000 judgment on the Section 15 application that Mr. Bogatz filed will be sent to the jury. The jury will hear about it, and the reason the jury is going to hear about it is twofold. One, I think it goes to the credibility of Mr. Bogatz, and also in the event -- in the unlikely event that I decide to send the jury the fraud, it would be part of the fraud.

Fraud sounds in both law and equity. In other words, you hear about -- chancellors hear -- in equity hearing about fraud and, for example, setting aside a contract or something. Juries also hear cases on fraud. I had two problems with the fraud argument. One is it was brought outside the three-year limitations that might apply. Another is that I have not seen any evidence of a reliance by the patent office on the fraud.

* * * * *

[27]

[THE COURT:] I am going to let in what Mr. Bogatz said about having exemplars and having his employees send off exemplars when they didn't exist -- or the employee didn't remember. I should say it didn't happen. I shouldn't say it didn't exist. I am going to let in that Mr. Bogatz said he didn't have any adverse court rulings, and so I will let the plaintiff show that Mr. Hargis at one time made a

representation that he is not making anymore. I will permit that.

All right. Any mention, reference, or comment regarding all TTAB opinions and proceedings, including but not limited to Hargis's trademark application. And I agree -- I mean, I think all of you agree that these TTAB rulings -- I know that I have overruled, denied at least plaintiff's motion to give weight to them and to grant summary judgment on them and that, of course, is an appealable order. I mean, it's not appealable right this minute, but it's an order from which the plaintiff may appeal.

Unfortunately, the Eighth Circuit did not give me any help on that. They said, "We leave this for another day." That meant now. So I am not going to -- I just ask that if you have to reference a TTAB ruling, don't do it without first coming to me, and that goes to all sides. Is that okay?

MS. PERKINS: Are you saying, Your Honor, that we can't -- we can't talk to the jury about the rulings in the TTAB?

THE COURT: I think it's just going to confuse [28] them because the TTAB went all over the place. I think it's all right for you to say that your plaintiff has what has now been determined by the patent office to be an incontestable mark, but all this business about the TTAB proceedings -- because it has gone all over the place. For example, they took your mark away for a while, then they found out that Mr. Hargis after all did know, did know about the -- or should have known about his descriptiveness

claim. Remember all that? Are we going to let the jury hear all of that?

MS. PERKINS: What we just really wanted to do was to explain -- we wanted to leave out all those different side trips, but there are two final rulings right now that they are set and they could have been appealed by the other side and they weren't appealed. And those are the rulings that we have, you know, the -- you have ruled against us on this, but those are the rulings that we do have Eighth Circuit authority, that some Courts have deferred to those rulings and other Courts that haven't deferred have given weight to those rulings. And so I guess we strenuously argue that we should be able to present those final rulings to the jury.

THE COURT: I will just have to think about that some because when he -- when I submit a case to the jury, for example, in an EEOC case, I will -- I am used to those. And frequently the EEOC will have found that there is no cause of action, no reason. They issue a right-to-sue letter, but they [29] don't go forward with a complaint. And it's very different from this, and there are some overlaps, some significant overlaps in what the TTAB considered on confusion, for example, that they give weight to the registrant, who happens to be your client. They give weight to that. And they don't give weight to -- I mean, if it's -- in other words, it's almost as if the person applying for the other -- this was in the application proceeding for, for -- the registration proceeding for the T-I-T-E trademark by Mr. Hargis. That's where they said that on the confusion.

And I think that the evidence they had on confusion will not be the same as the evidence in this court. And some of their considerations are the same, but you did not have -- your client did not have the burden there that the client has in this court to establish confusion and the fact that all you would be able to say is that TTAB denied registration of Hargis's mark because it found for registration purposes only that it could be confusing. There is a likelihood of confusion. That is for registration. This is an infringement action.

MS. PERKINS: Your Honor, could we submit a brief on this issue to you? This is a huge issue.

THE COURT: I don't mind if you submit a brief. I don't want to keep you up all night, but I am not going to let you go in to a jury and say that because the patent office did this or the TTAB did this, they should do it too. I am not **[30]** going to do it. This is a different burden of proof. This is an infringement action. That was a registration action. You -- at the time they were looking at the confusion. They did not have the evidence of what Mr. Bogatz was doing with respect to trying to sell building fasteners with photographs from the opponent's website. They didn't have that either.

Okay. So right now, without asking me, again, I am not -- I am certainly not going to let anything Mr. Hargis does ask the jury to infer that TTAB has always been ruling for him. I mean, I can't do that. And I will -- you can certainly brief me on this, but I think that this is an infringement action. This is not about registering a mark.

Okay. Now, the next is evidence regarding purchase orders, phone messages, or invoices that refer to Sealtite or Sealtite Building Fasteners on the basis that such evidence is hearsay and does not constitute evidence of consumer confusion. I have already ruled against you on that. I am talking now to Hargis Industries. I think that most of that or a lot of it is going to be in because I think that the plaintiff is entitled to prove likelihood of confusion, and you can certainly, when they put on this evidence -- and it will be through a witness or witnesses, you can cross-examine the witnesses concerning whether this is real confusion; you know, confusion as to the source. And you may also argue to the jury that this is inadequate confusion to be confusion for purposes of infringement or a likelihood of

* * * * *

Int. CL.: 6

Prior U.S. Cl.: 13

Reg. No. 1,797,509
Registered Oct. 12, 1993
United States Patent and Trademark Office

TRADEMARK
PRINCIPAL REGISTER

SEALTIGHT

BOGATZ, LARRY JOSEPH (UNITED STATES CITIZEN), DBA B&B HARDWARE
11 CORONADO COVE
MAUMELLE, AR 721136101

FOR: THREADED OR UNTHREADED METAL FASTENERS AND OTHER RELATED HARDWARD; NAMELY, SELF-SEALING NUTS, BOLTS, SCREWS, RIVETS AND WASHERS, ALL HAVING A CAPTIVE O-RING, FOR USE IN THE AEROSPACE INDUSTRY, IN CLASS 6 (U.S. CL. 13).

FIRST USE 5-2-1990; IN COMMERCE 5-5-1990.

SER. NO. 74-056,236, FILED 5-7-1990.

BLAINE T. KUSER, EXAMINING ATTORNEY

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF ARKANSAS
WESTERN DIVISION

B&B HARDWARE, INC.

PLAINTIFF

VS. Case No. 4:06-CV-01654 SWW

HARGIS INDUSTRIES, INC., d/b/a
SEALTITE BUILDING FASTENERS, ET AL

DEFENDANT

MEMORANDUM OF LAW REGARDING ADMISSION OF TTAB OPINIONS

Comes now Plaintiff, B&B Hardware, Inc., and respectfully submits this Memorandum of Law Regarding Admission of TTAB Opinions. As the following precedent shows, the decisions of the Trademark Trial and Appeal Board should be considered as evidence when determining Hargis's good faith, B&B's intent, likelihood of confusion, strength of the mark, ownership of the mark, and other important factual determinations in a trademark infringement claim.

In *Miguel Torres, S.A. v. Cantine Mezzacorona, S.C.A.R.L.*, the Fourth Circuit reversed a district court that failed to consider the factual findings of the TTAB in conducting a likelihood of confusion analysis. 108 Fed. Appx. 816, 820 (4th Cir. 2004). The court held that the TTAB's findings were not entitled to deference because the likelihood of

confusion analysis used in a TTAB proceeding is different than the one used in a trademark infringement action. *Id.* However, the Court stated that "a district court cannot altogether omit consideration of the TTAB's factual determinations that are relevant to a given factor in the infringement analysis." *Id.* "At the very least, such findings should be considered powerful evidence (or lack thereof) of one or more of the factors that must be considered." *See id.* (citations omitted).

In *Gluck Corp. v. Rothenhaus*, the Patent and Trademark Office had made three separate determinations that there was a likelihood of confusion between the parties' marks. 585 F. Supp. 2d 505, 515 (S.D.N.Y. 2008). The district court for the Southern District of New York held that although the PTO's determinations were not conclusive, they were "to be afforded great weight" by the court in the trademark infringement action before it. *Id.* (citing *Syntex Labs., Inc. v. Norwich Pharmacal Co.*, 437 F.2d 566, 569 (2d Cir. 1971)). The court, therefore, considered the PTO's decisions in its own analysis of the likelihood of confusion between the two marks. *See id.*

In *Boston Duck Tours, LP v. Super Duck Tours, LLC*, the First Circuit held that "a decision by the PTO to either require a disclaimer or not is merely a *single piece of evidence*" in the Court's determination of whether the "Duck Tours" mark was generic. 531 F.3d 1, 22 (1st Cir. 2008). Once again, the determination of the PTO was not given conclusive or preclusive effect, but was rather one piece of information that the trier of fact was to consider.

In *Freedom Savings & Loan Assoc. v. Way*, the Eleventh Circuit found that TTAB proceedings "while not dispositive" were "*relevant evidence* for the Court to consider." 757 F.2d 1176, 1181 (11th Cir. 1985) (emphasis added). The court affirmed the District Court after it dismissed the jury and reversed its own decision to exclude all evidence of previous TTAB proceedings so that the Court could consider them in making factual determinations. *Id.* The Court held that "*any error by the court* was harmless" because the evidence of previous TTAB proceedings was never proffered. *Id.* However, it is clear from this case that TTAB proceedings are "relevant evidence" and that it will typically be error to exclude such proceedings.

Regardless of whether or not this court chooses to give the TTAB's opinions preclusive effect or deference, it is clear from existing Eighth Circuit case law that the TTAB's factual determinations on likelihood of confusion and whether "Sealtight"® is descriptive are *at the very least* admissible in the trial of this matter. *See Flavor Corp. of Am. v. Kemin Indus., Inc.*, 493 F.2d 275 (8th Cir. 1974) (holding that TTAB opinions are not just admissible, but also preclusive); *Noah's, Inc. v. Nark, Inc.*, 560 F. Supp. 1253, 1258 (E.D. Mo. 1983), *aff'd by* 728 F.2d 410 (8th Cir. 1984) (TTAB opinions should be admitted and given deference).

The Court can limit the application of the TTAB's opinions in this case. Those opinions are highly relevant to several determinations in this case, including (1) the likelihood of confusion; (2) whether or not "Sealtight"® is descriptive; (3) whether Hargis

was acting in good faith; and (4) whether Bogatz acted with intent to deceive the PTO. The Court found that the 2000 judgment and court proceedings were relevant to the determination of whether Hargis was acting in good faith because they show what Hargis was relying on in taking the relevant actions. The TTAB proceedings were happening throughout the relevant time period in this litigation. Throughout those proceedings, both Hargis and B&B have presented arguments and made petitions to the PTO and the TTAB. Hargis knew of the TTAB opinions when it was taking the actions giving rise to this litigation, just as it knew of the 2000 judgment. Therefore, the TTAB opinions are also relevant to show that Hargis was acting in good faith. A limiting instruction will cure any confusion among jury members. The TTAB opinions are relevant, admissible and highly probative on several issues in this litigation and therefore, should be considered by the jury.

[Signature block omitted]

IN THE UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF ARKANSAS
WESTERN DIVISION

B&B HARDWARE, INC.,
Plaintiff/Counterdefendant,

v. No. 4:06CV01654 SWW

HARGIS INDUSTRIES, INC., d/b/a SEALTITE BUILDING FASTENERS, ET AL., June 22, 2010

Little Rock, Arkansas

9:07 a.m.

Defendants/Counterclaimants.

TRANSCRIPT OF TRIAL, VOLUME 2
BEFORE THE HONORABLE SUSAN WEBBER WRIGHT, UNITED STATES DISTRICT JUDGE, and a jury

APPEARANCES:

On Behalf of the Plaintiff:

MS. KATHRYN BENNETT PERKINS, Attorney at Law
MR. BYRON JANSEN WALKER, Attorney at Law
Rose Law Firm
120 East Fourth Street
Little Rock, Arkansas 72201-2893

On Behalf of the Defendants:

MR. HERBERT A. TREY YARBROUGH, III, Attorney at Law
MS. DEBRA ELAINE GUNTER, Attorney at Law

Yarbrough Wilcox, PLLC
100 East Ferguson Street, Suite 1015
Tyler, Texas 75702

MR. BROOKS CHRISTOPHER WHITE, Attorney at Law
Allen Law Firm - Little Rock
212 Center Street, Suite 950
Little Rock, Arkansas 72201-3641

Proceedings reported by machine stenography and displayed in realtime; transcript prepared utilizing computer-aided transcription.

* * * * *

[92] THE COURT: Good afternoon. And please be seated when you reach your chairs. And the Court thanks you for being here on time, and I apologize for delaying us.

Now is the time for the lawyers to make their opening statements.

* * * * *

[106] MR. YARBROUGH:

* * * * *

[111] For instance, some of their customers at least that they market, for example, is NASA and Medtronic and Dresser and Schlumberger. We sell to metal — companies that manufacture metal buildings or companies that manufacture metal building components or metal and roofing contractors. We sell to Graber Post, to A.B. Martin,

to Central States Manufacturing. And you will hear testimony from some of those folks.

In short, the evidence is going to show you that they are different fasteners sold and used in different applications to different markets. In fact, the evidence is going to show --and at least Mr. Bogatz has testified under oath about this --that with the exception of a flight hangar that allegedly he sold a construction fastener to, and he can't tell us much about it -- at least that's what we think the evidence will show. In all their years, he cannot identify another sale that B&B Hardware has ever made to the metal building industry. Furthermore, nor can he bring forth any evidence, and we have no evidence that Hargis has ever sold a fastener to any industry or market but the metal building industry.

The second factor that you will be entitled to consider in the case, one of the factors that you can look at is the degree of care likely to be used by the purchasers of these products. This is extremely important, because it's obvious that business purchasers or companies like NASA, the military, GE, Boeing, that they claim at least they market to those customers, they

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IN THE UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF ARKANSAS
WESTERN DIVISION

B&B HARDWARE, INC.,
Plaintiff/Counterdefendant,
v.
HARGIS INDUSTRIES, INC., d/b/a SEALTITE BUILDING FASTENERS, ET AL.,
Defendants/Counterclaimants.

No. 4:06CV01654 SWW
June 23, 2010
Little Rock, Arkansas
8:47 a.m.

TRANSCRIPT OF TRIAL - VOLUME 3
BEFORE THE HONORABLE SUSAN WEBBER WRIGHT,
UNITED STATES DISTRICT JUDGE, and a jury

* * * * *

[254]

Q. You go to trade shows, though, and get booths?

A. We attend and walk through the shows and talk to the people and tell them about our products.

Q. But what about getting the booths at the trade shows?

A. We do that also, but not all the time.

Q. Okay, Mr. Bogatz. Let's talk about sales for a few minutes. How do you typically sell the B&B products?

A. Through fastener distributors is the primary method; advertising, which draws companies to us; or we would make telephone calls to companies, asking if they are interested in our product.

Q. Okay. Now, you said the primary avenue was through fastener distributors. Tell us, what's a fastener distributor?

A. What a fastener distributor does, they will take all different kinds of fasteners, and they will just distribute them. They are like the middleman for screws. They will take screws from a bunch of different companies and then sell it to the end user, the customer.

Q. Give us some of the names of some of the fastener distributors that B&B uses.

A. Well, Fastenal. There's a place called B&B Socket Products. There's -- well, there's so many. There's a lot of them.

Q. Okay. Now, we heard somebody -- maybe it was Mr. Yarbrough -- mention Fastenal yesterday and said something about

[255]

Fastenal is like the Walmart of fastener distributors?

A. Yes.

Q. Would you agree with that?

A. Yeah. They have 2,600 different stores, so yeah.

Q. 2,600 different stores?

A. Yeah. So they are definitely the Walmart of fasteners. They carry everything. They sell everywhere.

Q. Are they throughout the United States?

A. Oh, absolutely. They have some international branches also.

Q. Now, do you have any salespeople in B&B?

A. We only have what we call inside salespeople, which right now there's just one person and myself.

Q. Okay. Have you always had at least one or more inside salespeople?

A. Yeah. When it was one, it was me. That's right. We've always had one or more salespeople.

Q. Okay. Would you say that distributor sales are important to your company?

A. Distributor sales are the backbone of our company. That's our sales force.

Q. Tell us about what percentage of your sales is done through fastener distributors.

A. About 80 percent of our sales is through fastener distributors.

* * * * *

[264]

MS. PERKINS: But I think, I mean, I guess, Your Honor, our belief is that there has to be just some mention of a proceeding, because that's what started the conversation. I mean, that's what prompted a conversation.

THE COURT: Again, you do what you want. I'll see. You can't get in what Mr. -- what his lawyer said. You can get in what Hargis said.

MS. PERKINS: Okay.

(Proceedings continuing in open court as follows:)

MS. PERKINS: Thank you, Your Honor.

BY MS. PERKINS:

Q. Okay, Mr. Bogatz. We talked yesterday about a conversation that you had with Mr. Hargis in '92, I believe.

A. Okay.

Q. Do you remember that?

A. Yes, I do.

Q. Now, was there a time some years later that you had another conversation with Mr. Hargis?

A. Yes, there was.

Q. Okay. Just very briefly, what caused that second conversation?

MR. YARBROUGH: Your Honor, at this time I do want to object on the record that any discussion regarding proceedings before the TTAB is irrelevant and prejudicial and misleading, has nothing to do with this case.

[265]

THE COURT: I will instruct the jury to this effect. The parties, as I told you during voir dire, have litigated before. I told you yesterday too, after you had been selected, anything that went on in that litigation and any findings that the TTAB made -- that's the administrative body -- are not going to be received in evidence here, because what you are having to decide does not have anything to do with all that litigation that went really kind of back and forth. And so I will permit this question only to put it in context, in the context of the time frame, what was going on between the parties. Go ahead.

BY MS. PERKINS:

Q. Okay. Mr. Bogatz, I don't know if you remember what I was asking. I said, just briefly, what prompted this second phone call?

A. We were contacted by the Patent and Trademark Office. And they told us that someone had filed a petition to cancel our trademark, "Sealtight."

Q. Okay. Well, what did you do when you found that out?

A. I saw the name of the company that was on the petition to cancel. And I found out the phone number to that company, and I called to see if there was some way that we could resolve the matter between our companies.

Q. Okay. And who did you talk to?

A. Well, eventually I spoke with Joe Hargis. I had asked who the person was who handled the trademarks there. And they said,

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IN THE UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF ARKANSAS
WESTERN DIVISION

B&B HARDWARE, INC.,
Plaintiff/Counterdefendant,
v.
HARGIS INDUSTRIES, INC., d/b/a SEALTITE BUILDING FASTENERS, ET AL.,
Defendants/Counterclaimants.

No. 4:06CV01654 SWW
June 25, 2010
Little Rock, Arkansas
8:49 a.m.

TRANSCRIPT OF TRIAL, VOLUME 5
BEFORE THE HONORABLE SUSAN WEBBER WRIGHT, UNITED STATES DISTRICT JUDGE, and a jury

* * * * *

[731]

A. I didn't personally do that. That was --

Q. Now, Mr. Hargis, at some point isn't it true that you have not been able to cancel B&B's trademark registration?

A. Well, I was just trying to get my mark registered.

Q. But my question was, isn't it correct that you have ultimately not been able to cancel his trademark registration?

A. No.

Q. And you just mentioned you were trying to get your mark registered. And isn't it true that you haven't been able to get your mark registered either?

A. That's correct.

Q. Now, your inability to get your mark registered, isn't it true that that decision, at least in part, was based on the fact that the marks were similar?

MR. YARBROUGH: Your Honor, I'm still going to object to it as irrelevant.

THE COURT: I think I made a narrow ruling, and I overrule the objection. I'm listening carefully to what she asks.

MS. PERKINS: Thank you, Your Honor.

THE COURT: So far it's okay.

BY MS. PERKINS:

Q. I'm sorry, Mr. Hargis. I'm not sure if you answered that question or not.

A. Ask again.

[732]

Q. You want me to ask it again? Okay. Isn't it true that your inability to be able to cancel B&B's mark was based at least in part on the determination that the marks were similar?

A. Yes.

Q. Now, isn't that same decision also based in part on the determination that the products were similar?

A. The products are not similar.

Q. Well, that's not what I asked. I asked if wasn't the determination that we've just been talking about based in part on the fact that the products were similar.

A. The PTO may have determined that the parts may have been similar, but they are not.

Q. Mr. Hargis, we're going to show you a document that has previously been admitted as Plaintiff's Exhibit 49. Now, Mr. Hargis, if you will look at this document for a minute -- and I believe I've looked at this document with you before.

A. Yes.

Q. Do you remember that? Okay. Now, isn't it true that this shows a Hargis fastener that's being offered for sale on this website?

A. That's correct.

Q. Okay. Now, you would agree with me, wouldn't you, that if somebody buys a Hargis screw

through this website, or any other website, you don't know what that customer is using the fastener for?

* * * * *

[789]

did you get these numbers from?

A From our — from our general ledger.

Q Okay. And it looks like you divided them out — the sales out into the type of product?

A Yes. That was in response to one of your interrogatories and so -- as to what the makeup of our sales were, yes.

Q Okay. And I assume, just like on the other numbers, you believe that these are accurate to the best of your knowledge?

A I do.

Q Mr. Crouch, I assume you would agree with me that Sealtite, T-I-T-E, is the phonetic equivalent, or it sounds the same as Sealtite, G-H-T.

A It does.

Q Now, we were talking about your website a few minutes ago.

The, I guess, main website address for your website is sealtite.com?

A That is right, yes.

Q Now, you can also type in www.sealtightbuildingfastener.com, and you get routed to your website. Do you know that?

A I do not know that, but --

Q Okay. Now, for some period of time, isn't it correct that you could type in www.sealtight.biz and get to your website even though the spelling was like B&B's trademark?

A I learned that from you in March.

[790]

Q Okay. And I was just going to say, I put my laptop right in front of you and we did it and it went right to your website, didn't it?

A It did.

Q Now, right after you and I talked and I took your deposition, y'all took that link out, didn't you?

A Yes, we did.

Q So it doesn't do that anymore?

A I don't believe it does. I was informed that it was completely taken out.

Q Okay.

MS. PERKINS: Now I want to look for just a minute at Plaintiff's Exhibit 30.

BY MS. PERKINS

Q And, Mr. Crouch, you were probably here when we talked about this document with Mr. Bogatz. Well, I am sure you were here. And actually, I think you and I talked about this in your deposition.

A Yes, I was here.

Q Okay. This is, as you saw at the top, the Whois record for who owns domain names and you can see at the top that this is the record for sealtight.biz, and it indicates, oh, kind of halfway down in that first little block that the registrant was Horizon Consulting, LLC?

A Yes, I see that.

* * * * *

IN THE UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF ARKANSAS
WESTERN DIVISION

B&B HARDWARE, INC.,
Plaintiff/Counterdefendant,
v.
HARGIS INDUSTRIES, INC., d/b/a SEALTITE BUILDING FASTENERS, ET AL.,
Defendants/Counterclaimants.

No. 4:06CV01654 SWW
June 28, 2010
Little Rock, Arkansas
9:01 a.m.

TRANSCRIPT OF TRIAL, VOLUME 6
BEFORE THE HONORABLE SUSAN WEBBER WRIGHT, UNITED STATES DISTRICT JUDGE,
and a jury

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[923]

THE COURT: Which are those for? The TTAB?

MS. PERKINS: 31 is the application that Hargis made that had -- no, the application that they made that had the misrepresentation of the first use date. And then 32 is actually the refusal by the examining attorney where the examining attorney refused the application based on likelihood of confusion with B&B's trademark.

THE COURT: Of course, my ruling is that I don't want the jury to be confused by any of these.

However, the jury has learned through the course of the trial about some of this. They've learned about the registrations refusal, about the cancellation action that Mr. Hargis brought against B&B. And they've learned that when the TTAB refused the registration for Hargis, they -- and I'm not using the word "confusion" and don't want the jury to hear that, but they refused -- I mean, they found that the marks were phonetically similar and that both companies manufactured fasteners or screws. That's about -- that's enough, because everything else is for the jury on likelihood of confusion and actual confusion.

Now, I want to ask you all a couple of things. Do you have anything for me about the stuff I had asked you about the other day or not yet?

MR. YARBROUGH: Not yet. Your Honor, I know Ms. Gunter has been working on some --

MS. PERKINS: And I think Mr. Walker has been

* * * * *

IN THE UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF ARKANSAS
WESTERN DIVISION

B&B HARDWARE, INC. — Plaintiff/ Counterdefendant,

v. — No. 4:06CV01654 SWW

June 29, 2010
Little Rock, Arkansas
8:48 a.m.

HARGIS INDUSTRIES, INC., d/b/a SEALTITE BUILDING FASTENERS, ET AL., — DEFENDANTS

Defendants/Counterclaimants.

TRANSCRIPT OF TRIAL, VOLUME 7
BEFORE THE HONORABLE SUSAN WEBBER WRIGHT, UNITED STATES DISTRICT JUDGE, and a jury

* * * * *

[1227]

confusion so that instead of saying Hargis's metal building fasteners, we're going to say the parties' with an apostrophe for plural, p-a-r-t-i-e-s-' fasteners, and that will be twice. In lieu of Hargis's metal building fasteners, we're just going to say the parties' fasteners.

Now this next one is out. Number 14 is out and we were stuck on the prior TTAB proceedings. One thing I am considering is to say you have heard evidence of prior court and TTAB proceedings and the Court has instructed you concerning how you may consider that evidence or for what purposes you may consider that evidence.

MR. YARBROUGH: That's what you're considering doing in 15?

THE COURT: Yeah, I am. Now, it can't overlap with what I do in Instruction Number 3, but I am going to let Ms. Perkins point out in her closing -- I'm not going to let you say this -- I don't want you to say that the TTAB found likelihood of confusion. I think you can say that TTAB pointed out that these names sound exactly alike and that they're both engaged in the manufacture and sale of fasteners. Isn't that what they said?

MS. PERKINS: I think when we talked about this earlier during the trial, I think you told me that I could use the phrase "similar products".

THE COURT: Okay.

[1228]

MS. PERKINS: That they were similar products, and that's what I used with the witnesses.

THE COURT: Then, of course, it's up to the defendants to point out that I said that the TTAB did not decide what the jury's going to decide, and that the products are, in fact, different and the TTAB is

not -- and I told the jury this. They didn't have the same evidence that the jury has and they weren't deciding the same thing that the jury decided. Now, I'll say for the record I struggle with this because if we didn't have a jury, I would consider the TTAB's findings, but I wouldn't make them dispositive. But as a finder of fact, I think I'm better able to give them the weight I think they deserve than the jury is. Because I'm afraid -- my fear is the jury will just take it and run with it.

Of course, that would be good for the plaintiff, but I don't want the jury to be told that they can do that. Because the TTAB admitted it was not considering some of the things that it would ordinarily consider because the evidence is not there. And they don't have a jury and they don't consider what -- they did not consider what this jury's going to have to consider. So from that, just as she's going to point that out, I don't want you to say the TTAB found confusion.

MS. PERKINS: Yes, ma'am.

THE COURT: You can say the TTAB would not permit Mr. Hargis to register his mark because, and use similar –

[1229]

MR. YARBROUGH: I mean, you said earlier, and I like what you said about, or I felt it was more appropriate, they sound the same, which we agree, and they both sell fasteners. When you say because they found the marks, the products were similar,

doesn't that kind of unduly intrude into the jury's province?

THE COURT: Well, I think that they're not bound by the TTAB decision and I've told the jury that. This is something that they're not really to be worried about. And anything that the TTAB might have found, they're not bound by, and in any event, the TTAB was not determining the question of infringement, they were determining only registration in a much narrower inquiry. And I think all that is appropriate, and if I think that one side or the other is crossing over, you know, in closing argument, I will instruct the jury from here something to that effect.

MR. YARBROUGH: So, Your Honor, the defendant will probably simply object to the revised instruction just because, Your Honor, that's the concern I have is trying to walk a delicate line and if we don't even --

THE COURT: I'm just going to be saying -- you can object, but what I'm likely to say instead of all this likelihood of confusion, it's just you have heard evidence concerning -- I think we already have -- we already have one on a prior court proceeding, didn't we? All right, why don't we see. **[1230]** It's the new one. It says you have heard evidence that there was a previous trial involving these parties. Keep in mind, however, that you must decide this case solely on the evidence presented to you in this trial. And I can also say you have also heard the evidence of administrative proceedings between the parties. Why don't I say that, administrative proceedings.

MS. PERKINS: TTAB proceedings, I think, is what we've called it.

THE COURT: All right, TTAB proceedings between the parties. And the Court has instructed you concerning how you may consider this evidence.

MS. GUNTER: Your Honor, what if you add about the TTAB findings are not dispositive of any issue in this case and should not preclude you from making your own findings on all the issues in this case?

THE COURT: I don't mind saying that.

MS. GUNTER: I mean, if that's what you're going to submit.

THE COURT: Well, I think that -- I just think that what I said first is all right. I have already told them that, and in my instructions, my very first instructions, I say, you've heard from me before and those instructions aren't in writing, but you are to consider them along with these written instructions. So I think that's what I would prefer to do. **[1231]** Rather than -- if the TTAB decisions were stronger than they are -- I don't mean that they were poorly written, I meant if the decisions were more forceful and considered more evidence, I would give them more weight and would instruct the jury to that effect.

But the way they were written, particularly the one that involved the registration of Mr. Hargis's patent and its denial was not -- I think the people who are sitting on the board were even doubting themselves whether they were making the correct

decision and they were giving the benefit of the doubt to B&B, the registrant. So it was not a powerful, compelling decision. And also the parties, as you know, have been back and forth or Mr. Bogatz or Mr. Hargis have been back and forth.

MR. YARBROUGH: As I understand the Court, I can argue, and I think this would be consistent with the TTAB's specific finding, that B&B can't prohibit Hargis from using the mark, that for them is a foregone conclusion. They were dealing with registration, so the Court has indicated I can argue, if I choose to, the TTAB did not decide what this jury is going to decide.

THE COURT: I've already told them that and you may say that. I've told them that repeatedly.

MR. YARBROUGH: And they didn't have this -- they don't have the same evidence.

THE COURT: They do not have the same evidence and [1232] I've told them that and you may tell them that too. And if it weren't for these good faith issues, I would probably only let the jury know that the TTAB said Sealtite sounded alike and made fasteners, they both make fasteners. That's probably the only thing I would let them know about what the TTAB had done. All of this litigation has been less than a model of clarity.

MR. YARBROUGH: What you just described is what you're going to give instead of this one here?

THE COURT: Yeah, I'm going to stick it onto the one about the prior jury trial. Is it Number 5?

THE LAW CLERK: Yes.

THE COURT: Lucille, just read that, please. Read the new part of Number 5. We know what the first part says.

THE LAW CLERK: "You have heard evidence of TTAB proceedings between the parties and the Court has instructed you concerning how you may consider this evidence."

THE COURT: Which is not much. All right. We're going to have a break.

(Recess at 3:36 p.m.)

IN THE UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF ARKANSAS
WESTERN DIVISION

B&B HARDWARE, INC.,
Plaintiff/Counterdefendant,
v. No. 4:06CV01654 SWW
June 30, 2010
Little Rock, Arkansas
8:30 a.m.

HARGIS INDUSTRIES, INC., d/b/a
SEALTITE BUILDING FASTENERS, ET AL,
Defendants/Counterclaimants.

TRANSCRIPT OF JURY TRIAL - VOLUME 8
BEFORE THE HONORABLE SUSAN WEBBER WRIGHT,
UNITED STATES DISTRICT JUDGE, and a jury

* * * * *

[1324]

took him to nursery school." These things are things I have heard from lawyers during closing arguments; in other words, injecting yourself in for purposes of sympathy or whatever. But I don't see anything wrong with talking about people you know as long as it's not some -- some of it is directly -- I hope you're not going to talk about some poor woman whose husband left her and now she's --

MR. YARBROUGH: Oh, no.

THE COURT: Or something like that. You know what I'm talking about.

MR. YARBROUGH: I do, Your Honor.

THE COURT: Just argue the evidence. If you want to give hypotheticals that give examples of arguing this case, you may do that.

Okay. Anything else?

All right. Thank you. I'll see y'all out here in six minutes maybe, a little after 9:00. You have time for one facilities break.

MS. PERKINS: I was just going to ask. Thank you.

(Recess from 8:53 a.m. until 9:02 a.m., jury present.)

THE COURT: Good morning. As I told you yesterday, this is the time for the lawyers to make their closing arguments. This is the only time they may argue the case. And the plaintiffs' lawyer, Ms. Perkins, will go first.

Ms. Perkins, you may address the jury.

[1325]

MS. PERKINS: Thank you, Your Honor.

I'm going to make sure — can y'all hear that through this microphone?

THE COURT: I think I'm hearing you.

Can you, ladies and gentlemen of the jury?

It's on.

MS. PERKINS: I just wanted to make sure I had -- maybe I'll move that. I don't want a double echo going.

Good morning. Hargis Industries has been using B&B's trademark for 18 years. 18 years. How does that happen? How does it happen that you start a business, you do searches to determine if you can use the trademark that you pick out, you start using it, and you file for federal trademark protection, and you actually get a federal trademark registration? Nevertheless, someone else -- and it's not just anyone else, but another company that also sells fasteners comes along, adopts virtually the same mark, and proceeds to use that mark for 18 years.

Now, Hargis uses this mark despite the fact that B&B owns the federal trademark registration. And Hargis uses this mark despite the fact that it couldn't get a federal trademark registration for its mark.

We contend that the evidence you have seen has shown trademark infringement on the part of Hargis. Oh, yes, I did say trademark infringement. This really is a trademark **[1326]** infringement case despite Hargis' best efforts to turn it into something else.

If you peel away all of the side issues, and if you look at the evidence about trademark infringement, the evidence clearly shows that there is a likelihood of confusion between Hargis' Sealtite and B&B's Sealtight. Accordingly, you should find in favor of B&B as to trademark infringement.

Now, you've heard the story of Larry and Diana Bogatz, how they left their jobs, used their retirement accounts, and followed their dream of opening a company making fasteners. They thought long and hard about the name that they chose. They did research to see if they could use that mark. In 1990, they started their business B&B, and they started using the mark Sealtight.

They filed for a federal trademark application for the mark Sealtight. And you can see it right here. It was granted by the United States Patent and Trademark Office. B&B's trademark registration has now become incontestable.

You also heard the story of how after B&B had been in business about two years, Mr. Bogatz got a call from Mr. Hargis. This was in 1992. Mr. Hargis told Mr. Bogatz that he wanted to obtain some quotes for construction fasteners on behalf of East Texas Fasteners.

Now, after talking a bit, Mr. Hargis mentioned to Mr. Bogatz that, you know, he started a fastener business and **[1327]** he was using the name Sealtite as well. Now, according to Mr. Bogatz, Mr. Hargis then said something about that he had been using the Sealtite mark for several years and that he was only using it within a few mile radius around Tyler, Texas. Now, you also heard Mr. Hargis say, oh, no, he didn't say that.

Now, what really happened in this conversation? There are a couple of things that are really curious. First of all, both men agree that the conversation took place. And both men agree that the first part of

the conversation was about obtaining a quote for construction fasteners. But if you were Mr. Hargis and you had just started a business manufacturing and selling fasteners, and you're looking at an ad that's got Sealtight on it, wouldn't that raise your curiosity? Wouldn't that make you concerned? Would you really be making a phone call with the primary purpose being to obtain a quote for construction fasteners?

Now, as I just mentioned, Mr. Hargis claims that he did not tell Mr. Bogatz that he had been using the mark for several years. Well, let's think about that. What we do know is that Mr. Hargis twice later misrepresented his first use date for that mark Sealtite. Mr. Hargis sat there and admitted that when he filed a trademark application for his Sealtite mark with the United States Patent and Trademark Office, that he put down a first use date of 1989, and that that was wrong. He said he read the application and he signed his name to it.

[1328]

Now, another significant thing about remembering that you started using the mark in '92 as opposed to '89 is that Mr. Hargis couldn't use it before 1992. He told us that he had a noncompetition agreement with another company and he could not open his doors for business until January 1, 1992.

After the trademark application that Hargis had filed was denied, Mr. Hargis or Hargis Industries filed documents attempting to cancel B&B's trademark. Now, Mr. Hargis also admitted in one of

those documents that he alleged a wrong first use date again.

Mr. Bogatz testified that he didn't hear anything from Mr. Hargis again for quite some time. And the next time he did hear from Mr. Hargis was when he found out that someone was trying to cancel his federal trademark registration. Mr. Bogatz said that he called up the company trying to work something out, and he ends up talking to Mr. Hargis, who says, "Hey, I'm the guy that talked to you a few years ago about your trademark." That was the start of the disputes between these parties which Mr. Bogatz says has lasted for 14 years.

In a few minutes, the judge will instruct you on the law to follow. And she is going to give you an instruction about likelihood of confusion. And before we talk about the specific evidence, I want you to remember one thing. In the instructions, we believe you will be told that B&B has to prove trademark infringement by a preponderance of the evidence. **[1329]** Now, what that means is if you're looking at a scale, and if the scale slightly tips in favor of B&B, then that's a preponderance of the evidence.

Now, I also want to mention that there are two different types of confusion in this case. It's a little bit dark, but I believe that this is the instruction that the Court will give you about trademark infringement, the forward kind of reverse confusion -- I'm sorry. I'm mixing up my words here. I believe that this is the instruction that the Court will give you about forward confusion.

Now, I'll read just the first part for you. "With certain exceptions, a registered trademark is infringed when a person uses it or a phrase similar to it in a manner likely to cause confusion, mistake, or deception among ordinarily prudent buyers or prospective buyers as to the source of the product. The test is not one of actual confusion, mistake, or deception. Rather B&B is required to prove a likelihood of confusion, mistake, or deception."

Now, as to this forward confusion that I'm referring to, we believe that the Court is planning to give this instruction about likelihood of confusion. And this is talking about the factors, the factors that you look at to determine if there is likelihood of confusion. And you can see them listed here: "the strength of B&B's mark, the similarity between the marks in question, the degree to which the products are in **[1330]** competition with one another, Hargis' intent to pass off its goods as those of B&B, incidence of actual confusion as to the source of the parties' fastener products, and the degree of care likely to be exercised by customers or potential customers."

Now, you will also see and you'll hear these instructions again from the Court that no one factor is to be given excessive weight. Each factor should be weighed in light of the total evidence presented at the trial.

Now, let's talk for a few minutes about these different factors. The first factor you see here, of course, is the strength of B&B's mark. Now, you've heard from the Bogatzes how they have used their mark, which is federally registered, for 20 years now. You've heard from Mr. Bogatz about the sales of

fasteners that they've made over the years using the Sealtight mark. This is the exhibit that Mr. Bogatz testified about, which shows the sales that they've made over the years. Of course, this starts in '97.

You've also heard Mr. Bogatz testify about advertisements that he's done over these 20 years. You've seen advertisements. And we are seeing one here. Another one from Distributor Link. And this is a really recent one, October/November 2009, from Fastener Technology International.

You've seen catalogs, catalogs of B&B's products. Here's the front page of B&B's current catalog. You've seen e-mail **[1331]** fliers. Mr. Bogatz testified about the company sending out fliers similar to this. And we saw some others as well.

You've seen press releases. Mr. Bogatz testified about these, that they send them out when there's something that's worthy of a press release.

If we look at the advertising numbers -- and you can see that — again, here in this Exhibit 278, you can see the amount of money that B&B has spent on advertising expenses since 2001.

You've heard evidence of how B&B regularly attends trade shows. Mr. Bogatz also said that as to trade shows, B&B often purchases a booth to demonstrate its products. And he also said that was no cheap venture. One of the trade shows that B&B regularly attends is the International Fastener Show. Now, you may remember some of Hargis' employees said that they've attended the International Fastener Show. In fact, two of them

attended the International Fastener Show just last year in 2009.

You also heard testimony from Mr. Bogatz about how B&B promotes its products on its website. And we saw -- here's the first page of the website. You've also heard how B&B has been attempting to enforce its federal trademark rights for the last 14 years.

You've heard Mr. Bogatz testify that his Sealtight mark is well-known and well-recognized in the industrial fastener market. After all, as both he and Mrs. Bogatz testified, B&B **[1332]** has fasteners on the Mars rover and in the space shuttle. This evidence shows that B&B's mark is strong as to the area of industrial fasteners.

We're next going to talk for a few minutes about the similarity of B&B's mark to Hargis' mark. There really doesn't seem to be much dispute about that. I mean, everyone -- well, with the exception of one lady that was a little bit confused for a minute, everyone says they sound alike. They are phonetically the same. And you can look at them. They look really close.

You also may remember that Mr. Hargis testified that one of the reasons that he was not able to register his mark with the U.S. Patent and Trademark Office was because of a similarity between the marks. This factor strongly supports a finding of a likelihood of confusion.

The next factor to consider is the competitive proximity of these parties' products. Now, we've heard testimony that both of these parties sell

fasteners. And I showed you some of the fasteners. This is a B&B fastener. This is a Hargis fastener. Is there really -- they certainly look similar. Is there really a whole lot of difference in a fastener?

Now, we talked about common customers between the parties. And you have in front of you now Plaintiff's Exhibit 183. Now, this is a two-paged document. And Mr. Bogatz testified that these customers are customers that he has either given a quote **[1333]** to or he sold something to. And these customers were also on Hargis' customer list. Now, we heard Mr. Crouch sit up there and tell us that pretty much everybody on Hargis' customer list, they had sold products to.

Now, I also want to mention, do you remember how Hargis kept pulling out that other list and trying to, I guess, get some of the witnesses to say that that was the common customer list that B&B had sales to? Mr. Bogatz never said that. Mr. Bogatz said this, the list you have right in front of you, Exhibit 183, was the list of common customers. Why did they do that? Well, they were trying to confuse you, and they were trying to draw attention away from this document that shows customers, common customers, between these two parties.

Note also on the first page of this document that Fastenal is there. Now, you will remember hearing about Fastenal, a distributor of fasteners. Somebody told us it was kind of like the Wal-Mart of fasteners. Now, Mr. Bogatz testified that Fastenal is an important distributor. In fact, Mr. Bogatz said all of the distributors are important to B&B because B&B

sells about 80 percent of its fasteners through distributors.

Now, Mr. Crouch told us that Hargis only sells about $50,000 worth of fasteners a year to Fastenal. He told us this was insignificant to Hargis' business. Well, it may be insignificant to Hargis' business, but it's not insignificant to B&B's business. The fact remains that Fastenal carries both [1334] B&B and Hargis products.

As to the competitive proximity of these two products, I'll also direct your attention to the different searches that Mr. Bogatz had done and we looked through. The one on your screen right now is from Yahoo Small Business. And if you remember, Mr. Bogatz told us how, you know, he did some internet searches. This one was for industrial -- or industrial supplies for fasteners. Well, both companies turn up right together in the search. And there were others of these. We're not going to talk about all of them right now, but you can see, this one is from Fasteners Web. This was from NetProspex. This is another Yahoo search. Again, both companies right there together offering fasteners. This one is from Industry Net. Both companies right there together. And then this is from usfastenersources.com. Both companies again right there together.

The bottom line is that both of these companies sold fasteners. Both of these companies sold fasteners that seal. And it's also to remember with -- in regard to this factor that Mr. Hargis told us that one of the reasons that he wasn't able to get his trademark registered and he couldn't cancel B&B's

trademark was because the products were similar. These products are close enough to support a finding of likelihood of confusion.

The next factor is Hargis' intent to confuse the public. **[1335]** Now, there's no dispute between the parties that Hargis adopted its mark after B&B had been using its mark. You probably remember that Mr. Hargis told us that he didn't do any searches to determine if the mark was available when he started using it in 1992. If he had done a search, at least a search in the U.S. Patent and Trademark Office, he would have seen the application that B&B had filed in 1990.

The last factor -- I'm sorry -- the fifth factor is evidence of actual confusion. Now, you heard a lot of testimony about actual confusion. Mr. Bogatz testified about phone calls, several phone calls over the years where someone calls B&B and is trying to get a Hargis product.

You heard testimony from Mr. Bogatz' sister, Terri Carlton. And you remember she worked for the company for about three years. She testified about receiving several phone calls where she would figure out during the course of the conversation that the party was trying to buy a product from Hargis. She estimated that she received three or four of these calls a week. She also testified about receiving a product back, a product that was sent back to B&B and it had that ST mark on it, the flying ST as Hargis calls it.

You heard testimony from Maria Robles. She said that she had received calls from potential customers

who were trying to reach Hargis, who were trying to buy Hargis' products.

You heard testimony from Victor Solano, another B&B **[1336]** employee. And he said even though he had only worked for B&B for a couple of months when his deposition was taken, he said that he remembered receiving a phone call about someone trying to get Hargis' products from B&B.

You also heard testimony from Ezequiel Rosales, another B&B employee. Now, Mr. Rosales said he didn't answer the phones and he wasn't the person that typically received the faxes because he wasn't the salesperson. Nevertheless, he still told us about knowing of times when someone was trying to get a Hargis product from B&B.

We looked at several documents as well that support actual confusion. You probably remember the packet that B&B received from Northern States Supplies, the envelope that's postmarked April 2nd, 2007. Mr. Bogatz testified about this. Mr. Crouch testified about this as well. He told us that Northern States Supply was one of the Hargis clients. And Mr. Crouch also told us that this fastener that was returned to B&B, it's a Hargis fastener.

We have some other documents to show you. I think this is Exhibit 62 where again somebody called B&B and they were trying to get a Hargis product.

Exhibit 93, this is apparently an e-mail that was received, Mr. Bogatz testified about this, where somebody's coming to B&B trying to get a Hargis product. There's another exhibit where somebody

was trying to get to Sealtite in Texas. [1337] This is another one. Mr. Bogatz testified about this. He said that somebody was calling about a quote that he had gotten the previous day. And B&B didn't give them a quote. Well, it ultimately turned out that they were trying to find Sealtite in Texas.

Now, this exhibit that you're looking at here, this was somebody that was trying to use some photographs -- trying to use some photographs of Hargis that were -- that was in an advertisement that Hargis had placed in a magazine. And they came to B&B trying to get that permission.

The next few pages are from Exhibit 59. And, again, this is a situation that Mr. Bogatz testified about where they were looking for Hargis. And I think we've got two or three more. I'll just ask you to —

You don't have the pages?

THE TECHNICIAN: This is 59.

MS. PERKINS: This is 59? We were going to look at pages 9, 17, 18 and 19.

You can't get to the rest of them? Okay.

Then we had the testimony that you heard from the Hargis employees. Mr. Crouch testified about how Hargis has received phone calls from people who were trying to get B&B's products. Mr. Hargis testified about that as well, admitted that they've received phone calls from people trying to get B&B's products.

You heard Ms. Timmerman yesterday, one of the Hargis [1338] employees. And she testified that, yes, she's received phone calls from people trying to get B&B products.

There was also a written request from MECO that Mr. Crouch testified about. And you've got this on the screen here right now. He testified that he received this fax. And then the next page is a website inquiry where somebody was looking for a B&B product. Now, Mr. Crouch tried to cast doubt on this. Said he thought it was just really interesting that he received this right before his deposition. But you know what? He also told us that he called and picked up the phone -- picked up the phone and called this man who sent the request before we even saw these documents. And that man did not tell him anything to the effect that B&B had anything to do with this request.

Now, Mr. Crouch also tried to say, well, this is a B&B customer. They've sold products to this place. Well, you heard Mrs. Bogatz testify that they hadn't. There were a few quotes, just a handful of quotes, that had been made going back to 2003, I think, to this company. But B&B has never sold a product to this company.

We submit to you that all of this evidence of actual confusion strongly supports a likelihood of confusion.

Now, the final factor to consider in the likelihood of confusion analysis is the degree of care to be exercised or to be expected of potential customers. The evidence showed that the fasteners are relatively inexpensive. Now, Mr. Bogatz [1339]

testified about the range of prices on his fasteners. And he did say there's some really expensive fasteners that they've sold, relatively expensive for fasteners, that is. And those are the kinds that have gone into the space shuttle when you're only making just a few of the very specialized fastener.

We heard from Mr. Crouch, and he told us that his fasteners have sold in the range of $15 per thousand all the way up to 110 to $120 per thousand. Then there's those websites that we looked at. And we're not going to go through all of these right now, but, Jennifer, you can just roll through them. We saw all of these different places where Hargis' products are available on the internet. And you remember we walked through them with Mr. Crouch. And Mr. Crouch told us, I believe, without exception, that, you know, these were Hargis products.

Now, what kind of care can we expect from somebody that's just buying a fastener on the internet? Mr. Crouch agreed that he has no idea who is purchasing these products and he has no idea what the people are using them for that are purchasing these products.

In sum, we urge you to carefully consider this evidence. We believe that this evidence clearly shows that there's a likelihood of confusion between these marks.

Now, as I mentioned earlier, B&B believes that reverse confusion is also occurring in this case. And I want to show **[1340]** you now what I believe the Court is going to instruct you on as to reverse confusion.

And I want to point out in the second paragraph here-- I'm not going to read this whole thing, but I just wanted to point out a few things. "Reverse confusion occurs when a larger, more powerful company uses the trademark of a smaller, less powerful senior owner and causes a likelihood of confusion as to the source of the senior user's goods." Now, the senior user is B&B.

And let's go down and look at No. 3 here. One of the factors that you're supposed to consider is whether Hargis created a likelihood of confusion by swamping or overwhelming the reputation of B&B with a much larger advertising campaign such that purchasers of B&B's products believed the source of the products is Hargis instead of B&B.

Now, we assert that the evidence you have seen indicates that there is likely to be reverse confusion in the dealings between these two parties.

Now, as to the construction fastener industry, Hargis has established that they are pretty well well-known. Last year they sold about $30 million in fasteners. They also spent quite a bit of money in advertising expenditures. And here's one of the exhibits that we looked at. Now, this one only covers three years, but there's another exhibit that covers all the way back to, I think, 2001. But you can see the sales and **[1341]** the advertising numbers for Hargis.

Now, there was also an exhibit that we looked at, 72, which was an exhibit that Mr. Hargis testified about. It had been attached to a document that he signed and was filed in the proceedings between

these parties. Now, these numbers -- of course, we're just looking at the ones from, I guess, 2001 forward, but these are much larger numbers. Mr. Crouch testified that these have some selling expenses in them that aren't included in just the pure advertising dollars. But, you know, Mr. Hargis labeled these as sales and marketing expenditures. So this is money that Hargis spent to sell its Sealtite products.

Now, you've heard evidence about how the Bogatzes have done quite a bit of work to move into the construction fastener area of the fastener market. Mr. Bogatz testified about how he did a search on the internet. And that search is one of your exhibits. And he came up with a list of potential customers for a construction fastener line. He testified about how he gave that list to his employee Victor. And he asked Victor to make some phone calls, trying to get some information from these people so that they could start trying to find and market their construction fastener line. Now, Victor said pretty much the same thing. He had gotten a list that Mr. Bogatz had created from the internet, and he was asked to make phone calls.

[1342]

Now, you heard Mr. Crouch testify about how some of his customers had received phone calls from B&B -- I assume it was Victor -- about -- well, and Mr. Crouch testified that he learned about this because his customers, Hargis' customers, were calling Hargis saying, "Somebody is trying to pass themselves off as you."

Now, we heard testimony from a couple of people that Hargis brought in yesterday. One of them was David Cook with Gravette Metal Sales. And you remember Mr. Cook was asked this question, I think, maybe twice about, "What did this man say to you on the telephone?" And he said, "I'm with Sealtight." He didn't say, "I'm with Sealtite in Texas." He didn't say, "I'm with Hargis." He said, "I'm with Sealtight," which is true. B&B owns the federal trademark registration for Sealtight. But Hargis is so well-recognized with respect to construction fasteners, that the first thing this man thought of was: Oh, this is somebody trying to impersonate Hargis. Now, pretty much the same was true with respect to Ms. Davlin who works with Tyler Building Systems. She said that she received a call from someone who said they were with Sealtight.

As a result of the association of the Sealtite Hargis name in construction fasteners, B&B is effectively prohibited from going into this market. We've seen that through these phone calls. This is a classic example of reverse confusion.

Now, Hargis will argue -- they've already argued through **[1343]** their witnesses that B&B really isn't going into the construction fastener business. But let's think about that for a minute. Both of the Bogatzes talked about this business plan that they worked on. You'll have this business plan. You can look at it yourselves and see. Hargis really laughed at it, made fun of the Bogatzes about this business plan, made fun of Mrs. Bogatz because she didn't know what ROI was. But you know what? The Bogatzes both testified about how they put a lot of

time and effort into this business plan. And they thought it was good enough that they took it to several banks, as Mr. Bogatz testified, and tried to get some money to go ahead with this expansion into the construction fastener industry. And you saw -- we saw one example that Mr. Bogatz had where his application for credit for this purpose was denied.

Now, just because Mr. Crouch believes that this is a pretty sorry business plan doesn't mean that B&B doesn't have a legitimate attempt -- or intent, I should say, to go into the construction fastener business.

You saw all of the design drawings that B&B did. You heard testimony from both of the Bogatzes about how they -- how Mr. Bogatz designed the fasteners, and Mrs. Bogatz did a lot of checking on at least some of them, checked the math on them. Mrs. Bogatz testified about how she watched her husband do-- submit many of these drawings.

Now, I know you remember that Mr. Crouch looked at the **[1344]** computer printout for the creation dates for these drawings. And you remember those creation dates were all 2008. And he raised a question about, well, you know, is this really legitimate? Well, this is another example of many that we could talk about where Mr. Crouch has made a comment, but when I ask him about it, he has no shred of proof to back up that comment. And, you know, we saw it in another context with respect to the design drawings. You know, when I was questioning Mr. Crouch, he led us to believe that Hargis was saying that B&B had actually stolen its design drawings. But then Mr. Hulsey said no. And

I know you remember that where I asked Mr. Hulsey that question several times. He said, "No. There's no way these are my design drawings." In fact, he kind of made fun of the design drawings, too. But he said, "There's -- these aren't my design drawings."

Now, I would like for you to think about why Hargis has made, I guess, this big production of raising accusations that it can't back up. Well, it's because Hargis is trying to shift your focus, trying to shift the focus away from B&B's legitimate work toward going into the construction fastener business. This evidence supports reverse confusion in this case.

Now, I want to talk real quickly about the website. You've heard a lot of testimony about this website. And Hargis has filed counterclaims against B&B as to this website. Now, **[1345]** what really happened here? Mr. Bogatz testified about receiving construction fastener samples. And you remember Mr. Crouch said some of these samples could have come from Home Depot. And then Mr. Hulsey said, "Oh, well, some of them could have come from a trade show." But do you remember that we looked at the actual invoices that came with these construction fastener samples that B&B obtained? And we walked through with Mrs. Bogatz that some of them actually identify the product on them and they are construction fasteners.

Now, Mr. Bogatz testified that he asked Ezequiel to take pictures of the samples. And Ezequiel said the same thing, that he took the samples they had gotten and he took pictures. And then we saw some documents where Mr. Bogatz sent the photographs

to this Sanjiv in India. Here it is. Here's the e-mail that we're talking about where you can see that Ezequiel -- and this goes on for several pages. You can see it in the exhibits when you have them. Ezequiel sent the photos to Larry, and then Larry sent them on to Visiontek, which we heard is the company that Sanjiv works for.

Now, you also saw in e-mails that Mr. Bogatz referred Sanjiv to the websites of Hargis and Atlas Fasteners. He wanted them to look at them. But he also said, "I don't want the website to look exactly like either of these two websites." You also heard that Mr. Bogatz was busy, and Mrs. Bogatz had had a heart attack and was recuperating. So nobody really paid **[1346]** a whole lot of attention to the photographs when the website went up.

Now, Mr. Bogatz talked about how he was astounded when he first learned something about Hargis making a claim that these photographs had been copied. He told us that he immediately took down the website.

Now, one thing I want to point out. You remember yesterday we went through the exercise of Mr. Yarbrough reading the deposition of Mr. Bogatz. And I just want to make sure you keep in mind as to that testimony. That was before B&B, Mr. Bogatz, had any idea that there was a claim about copying of photographs. And at that time, and he testified about this when I was asking him questions, he thought the photographs were the photographs of Ezequiel. So that's what he said in that deposition testimony.

Now, you remember you heard Ezequiel talk about how Mr. Bogatz came and asked him about it when Mr. Bogatz learned that B&B was making an allegation about these photos. And Ezequiel said, "No. These aren't my photos." And he said Mr. Bogatz was confused about that because Mr. Bogatz thought they were his photos.

Now, a few things I want you to remember when you're thinking about all of this. Mr. Bogatz, nor anyone else from B&B, has said -- no one has said that these photos aren't the same. B&B doesn't know. B&B tried to find out from Sanjiv, [1347] and we saw an e-mail about that. But Sanjiv wouldn't talk to Mr. Bogatz. This is the first e-mail where Mr. Bogatz tried to ask him about the photos or said, "I want to talk to you. I want to talk to you on the telephone." And then Mr. -- well, Sanjiv. I'm not sure what his last name is. He responded, "No. I know you're trying to contact me about a lawsuit. I refuse to get involved." Now, you know, of course, Sanjiv is in India.

Now, another really important thing I want you to think about is why in the world would Mr. Bogatz do this on purpose? Why would he copy the photos or why would he tell Sanjiv to copy the photos? I mean, he's in litigation with Hargis. He's been in litigation with Hargis for 14 years. Mr. Bogatz, after the website goes online, he prints it out and B&B produces the website to Hargis. You heard Mr. Crouch say, "They didn't know this website was out there until we gave them a copy of the website." Now, why in the world would Mr. Bogatz do that? It just doesn't make any sense.

And the final point I would like to make with respect to the website is if you find that Mr. Bogatz didn't tell Sanjiv to copy the photos, then you should find for B&B on these claims from Hargis.

And I think at this point I've used all of my time, and I'll turn the podium over to Mr. Yarbrough.

Do you want this microphone?

[1348]

MR. YARBROUGH: I don't need that.

THE COURT: All right. Mr. Yarbrough, you may address the jury.

MR. YARBROUGH: Thank you, Your Honor.

THE COURT: And I think you'll have to adjust that microphone.

MR. YARBROUGH: Yes, ma'am. That'll work.

Good morning, ladies and gentlemen. I want to take this opportunity on behalf of Joe Hargis and his company and all of the people that are associated with that business to express to you how much we appreciate your presence here and your very important involvement in this case. We do not take for a moment -- we do not take for granted for a moment the time that you've given. It's taken a chunk out of your lives. So we appreciate your presence and want to convey our thanks to you for that.

The first thing I would like to talk to you about is something that's terribly important in any case, and that's truthfulness and credibility. What a jury trial is really about, what it's intended to be about is getting at the truth. And you are the sole judges of the credibility of the witnesses and of the exhibits in this case. You are entitled to accept or reject any evidence that does not ring true with your good judgment and with your common sense. You should examine every witness and scrutinize carefully: Are they trying to get at **[1349]** the truth, or are they trying to mislead you?

I want to submit to you that there is an incredible amount of untruthful and misleading evidence in this case. And I want to walk through that evidence with you in a moment. It is a harsh thing to say, but I say it with as much conviction and sincerity as I have. There has been a tremendous amount of misleading and untruthful evidence in this case. And I ask only that you -- and my only point is that you please examine carefully all of the witnesses, both those associated with Hargis and with B&B Hardware, and decide who stands up to that scrutiny as you look at the evidence in this case.

The first thing I want to discuss with you is what's not involved in this case, and that is which company uses its mark first. And, by the way, Hargis is not using B&B's mark. It's using its mark. Which company used their mark first does not matter. That is not involved in any question that you'll have in this case. I told you when we selected you as jurors in this case that this was not about who used the mark first. It's undisputed that B&B Hardware --

even though we really don't know for a fact, but we've assumed for purposes of this case that it began using its mark in May of 1990. And Joe Hargis began using his mark in January of 1992. That's not in dispute. It's not relevant to any question you'll have. You won't see a single question from Judge Wright about who used their mark first.

[1350]

Hargis is entitled under the law of our country, as many businesses do, to use a mark that may sound the same and be similar to another company's mark so long as it is not likely to cause confusion as to the source of the goods. And that's the question you're going to have. You're not going to see a single question here about who used their mark first. It's whether or not Hargis' use of its mark is likely to cause confusion as to the source of the goods. And if it won't and if it doesn't, he is entitled under the law to use his mark as he has been doing, by the way, for the last 18 years.

We're not to get into and the Court's carefully instructed you on evidence in a prior case. But we are entitled to advise you there was a judgment entered in this very city in the very federal courthouse with Judge Cavaneau presiding, who has a courtroom about three courtrooms down the hallway. There was a judgment entered, entered in this -- entered in that case in which Hargis was authorized to use his mark before the judgment, B&B was not awarded any damages, and Hargis was authorized to continue his mark thereafter. And B&B was using its mark first then. That's not an issue, who uses their mark first. That is a red

herring. And to suggest that because one party used its mark first has some bearing on this case is simply misleading.

The second thing I would like to point out to you is what this case is not about. The fact that B&B Hardware has a [1351] registered mark and Hargis does not is not relevant to the questions you'll be deciding in this case. There is not one question on here about registration. There will be some instructions about the fact that B&B Hardware has a registered mark. And I told you that when we selected you as jurors in this case. B&B has a registered mark. Hargis does not. And you've heard some argument and some testimony about Hargis not getting its mark registered.

I'll also tell you that the issues in that proceeding are not the issues in this proceeding, No. 1. And the evidence heard in that proceeding, you've gotten more evidence and additional evidence and other evidence that was not heard in that proceeding. If all there was to it is that one party has a registered mark and somebody else doesn't, you wouldn't be here. We wouldn't be here. That is not in this case. The fact that Hargis does not have a registered mark has no relevance in this case. And Mr. Walker's questions to the witnesses, "Were you aware of the fact that B&B Hardware has a registered mark," that was a red herring. It's misleading.

The right to -- of ownership in a mark has to do with the use of the mark. And, once again, the judgment entered in 2000, B&B Hardware had a registered mark then. Hargis did not. And that judgment authorized Hargis to use its mark up until

the time of the judgment and to continue to use its mark after the judgment. And they had a registration then. Hargis [1352] didn't. Registration does not have anything to do with the mark.

Deverick, could you put up -- here's the registration, by the way. Counsel put it up on the screen, but take a look at it. This is their registration, "threaded or unthreaded metal fasteners and other related hardware, namely self-sealing nuts, bolts, screws, rivets, and washers, all having a captive O-ring for use in the aerospace industry." Hargis does not have a captive O-ring on its fastener. We're going to talk about that in a minute. Hargis does not sell fasteners in the aerospace industry. This is the registration they are talking about. But the fact is, you're not going to see a single question in here about does Hargis not have a registered mark or does B&B Hardware have one. It's got nothing to do with this case.

Here is the question that is before you and that you'll be called upon to answer, at least the first couple of questions that I'll talk to you about in more detail in a moment: Whether B&B has proved to you by a preponderance of the evidence that Hargis has used the term "Sealtite" in a manner that is likely to cause confusion among customers or potential customers as to the source of the products sold by the parties. And I want to talk to you a good deal about the source of the products in a moment. But the question is -- another way to put it is, is there a likelihood that customers or potential customers have bought or will buy a Hargis fastener under the [1353] confused belief that it is a B&B Hardware

fastener, or is there a likelihood that customers or potential customers have bought or will buy a B&B Hardware fastener under the confused belief that it is a Hargis fastener? That's what likelihood of confusion is about in this case.

And the overwhelming evidence in this case -- even though it is their burden to prove it under the law that there is a likelihood of confusion, the overwhelming evidence in this case is there is no such likelihood of confusion. You have not heard one customer -- they've been talking about the saga, they say, for 14 years or whatever. You have not heard one witness that they have called to say that they bought a Hargis fastener believing it was a B&B Hardware fastener or that a customer came in and bought a B&B Hardware fastener thinking it was a Hargis fastener. Not one witness. And that's because there is none. There is no such likelihood of confusion. If there was, they would have brought witnesses in here to tell you about it. And they haven't and there's not.

Now, it's their burden of proof to prove their claim. And if you were to think that the evidence equally lines up that we put on as much evidence to show there's not likelihood of confusion as they have, if it was even, then you should return a verdict of "no" to the answer -- to the question of likelihood of confusion. But that's not the case. The evidence is overwhelming that there's no likelihood of **[1354]** confusion. And I'll tell you the most compelling admission in this case is that they have come in here -- and Hargis has not tried to sidetrack you. They have done some incredible things in the past four

months prior to this trial in an effort to manufacture and create, as Mr. Crouch put it -- the phrase to create the illusion of confusion. Now, when a party gets that desperate and tries that hard to convince you of confusion, it's a tremendous signal, a warning, of what's going on. The very opposite is true and I'll walk through that with you in a moment.

In my opening statement, ladies and gentlemen, I talked to you about six factors that the Court would allow you to consider. And I've got a lot of evidence I want to go through, and I may periodically look at my notes to make sure I cover the things I need to. But you'll recall in the opening statement, I said there were six factors you could look at in determining whether or not Hargis' use of its mark is likely to cause confusion as to the source of the goods.

The first one was -- and I'm not going to take them in the exact order that the Court has them in. The first one is the degree to which the products compete; the degree to which the products compete. To the extent that you find that the products of these two companies do not compete, then that lends itself, supports the fact there is no likelihood of confusion. And they have tried to mislead you on this. They are holding **[1355]** up two fasteners and saying, "Look. They are just fasteners. Don't they look alike?" Now, if you look at his industrial fasteners in that sack they gave us, those fasteners with the O-ring, they are nowhere even close to look like Hargis' construction fasteners. But that's not the point. They've tried to say a fastener is a fastener. And you've heard overwhelming evidence in this case.

These are different products for different applications sold to different markets. And that's why we brought in Delphine Webb and we brought in Jessica Davlin and we brought in David Cook. Could have brought in a lot more. But that's what -- these customers know the differences between the products. And I want to walk through that with you.

First of all, B&B Hardware sells -- you set aside for a moment this contrived construction fastener website, as Mr. Hulsey put it. You set that aside and you look at what they've been doing for 20 years. They sell a high precision fastener which requires someone to drill a hole, to tap a hole, and then to have a precision fit with a machine thread. And a prominent feature of their fasteners is this O-ring that Mr. Hulsey discussed with you, Plaintiff's Exhibit 4.

Deverick, could you pull that up, page 2 of that exhibit? B&B Hardware Exhibit 4. And it was that O-ring that we looked at yesterday with Mr. Hulsey.

Okay. This is the B&B Hardware fastener product. It's a **[1356]** machine thread. It has an O-ring. You'll recall that video that the Bogatzes did in their suit against Fastenal where Mrs. Bogatz talked about it at length. There's an O-ring that fits up into the groove of the fastener. And in doing that, it gives this leakproof and this metal-to-metal tight seal, metal-to-metal contact. That's the exact opposite concept of a construction fastener. We don't want metal-to-metal contact. If we have that kind of contact, Mr. Crouch told you, Mr. Hulsey told you, Mr. Hargis told you, it will damage steel and it will cause rust. And that's not what we want in our

fasteners. It's not what we use. These are direct opposite concepts.

This fastener, they claim, with this O-ring can withstand pressures up to 20,000 pounds per square inch. We don't have any kind of high pressure seal like that. We keep out rainwater and dust and insects. These are completely different fasteners. And the people that buy these fasteners know that. And the idea of coming in here and suggesting to you that they are both fasteners so they can -- obviously people get confused, some of us might get confused, but these folks don't get confused. They know the difference. The applications are completely different. You don't have to take Mr. Crouch's word for it or Mr. Hulsey's. They looked at all 230 applications in the website, the B&B Hardware website. There wasn't one application that fit the metal building construction industry. **[1357]** Don't take their word for it. Mr. Bogatz admitted it under oath. There are no applications in his market, in his website literature, in his brochures, that address the metal building construction industry at all. They are designed for completely different applications.

And I don't -- I'm not trying to be cute here, and I'm not trying to be inappropriate, but wallpaper is paper, toilet paper is paper. They have completely different applications. I'm just trying to convey to you that these are different products with different applications. And the fact that they are both fasteners is -- to suggest that that means they are the same is ridiculous. You cannot use a construction fastener, a self-drilling, self-tapping screw, on the outer casing of a missile, on the Mars

rover. And you don't use a machine thread, predrilled, pretapped hole to put in construction in a metal building. It doesn't work. These applications don't overlap. And that's why Mr. Crouch told you there cannot be confusion. They don't overlap. You can't use one in the application for the other. Or I guess you could, somebody could, but it would be ridiculous. It wouldn't be practical.

And, finally, they are in different markets. They are in entirely different markets. And, once again, that's why you heard evidence over and over again from people who said this is a defined niche in the market, a specific market, and they **[1358]** don't overlap. And they didn't call one witness, they didn't put on a single customer to say that these -- that these markets are the same or that these applications cross over. None. And they can't. They are completely different products. They are completely different fasteners for different applications. And, again, that's one of the reasons, one of the reasons that we brought in David Cook and Jessica Davlin and Delphine Webb and folks like that to convey to you if you didn't know from your common sense already, if you didn't already know. These are different markets entirely.

In 18 years of coexistence, he testified under oath, the plaintiff who sued us in this case, he doesn't have evidence of a single sale in 18 years of coexistence, not a single sale that Hargis had ever made outside the metal building industry. And he testified he knew of one sale that he claims he's made to the metal building to a flight hangar, some instance of a flight hangar. That's his claim. But in 18 years, not

a single sale by Hargis outside the metal building industry. And the most compelling evidence that these are different products and different applications and different markets and there is no likelihood of confusion is where they've tried to manufacture confusion.

Now, Deverick, can you put up the timeline? Did you have a chance to do that?

All right. B&B Hardware starts selling their fasteners, [1359] their high precision fastener, they claim, in 1990. They file suit here, this case, in 2006. After 20 years of being in the business, after 20 years of selling these high precision machine threads, in January of this year, for the first time, Mr. Bogatz claims he's going to start a construction fastener line, four months, five months before this trial, to purport to start this new construction fastener line. And it's a charade. It is a charade. And it's intended to try to convince you that there is a likelihood of confusion. They are desperate in some way to convince you of that. But why is it after 20 years, four or five months before trial, they decide: Well, you know what? We think we want to go into the construction fastener business.

At his deposition -- and that's why I read those portions to you yesterday. As his deposition in March at his lawyer's office, I said, "Well, tell me when you created this website." "Well, it's been in the past two years." "Well, can you be any more specific?" "No, sir. I know it's been in the past two years." "Well, when did you publish this website online?" "Well, it's been in the past year." "Well, can

you get any more specific with me? Six months? Less than six months?" "No, I can't. I can't tell you."

Less than 60 days before that deposition was the first e-mail he sent to Sanjiv. And I would love for you to read that e-mail where he seems in a big hurry to get this website **[1360]** up as quick as he can, less than 60 days before his deposition. But at his deposition, he couldn't remember it was two years, within the past two years. And then I asked him about the online -- when it actually went on online, when did it go active. This is 60 days here before his deposition. And then I said, "Well, when did it go online?" He said, "Well, it's been in the past year." It went online less than 30 days before his deposition. Are you telling me you believe he couldn't remember when that thing went online? He wasn't telling the truth, folks. He was not telling the truth. And he's done this for two reasons. He wants to create this illusion that the companies sell the same products in the same markets. He hasn't sold a single construction fastener. He doesn't have a single construction fastener in stock. He testified under oath at his deposition that he sent out samples, but we now know he didn't. He hasn't even sent out any samples. He has no intent to go into the construction fastener business. This is an attempt to convince you that these products work in the same -- that they sell products in the same market, and that's not the case.

And let me tell you the second thing that I believe they are attempting to do. You heard counsel talk about reverse confusion. You know, this gets into the law a little bit, but you'll have an instruction in

the Court's charge. Two kinds of confusion: the traditional forward confusion where they claim **[1361]** that Hargis is attempting to pass off his goods as theirs. And so there's confusion, somebody's buying a Hargis product thinking it's a B&B Hardware product. They realize they can't win there. They can't win on that theory because there's no evidence to that. So what they've done is they've come up with this other theory called reverse confusion. And that means, well, Mr. Hargis now has so swamped the market and saturated the market that, you know, we can't even enter the construction fastener business because somebody if they -- you know, they might -- what reverse confusion means is that somebody is buying a B&B Hardware product thinking it's a Hargis product because Hargis has just swamped the market. In the first theory, you've got to have a strong mark. So she's going to argue they've got a strong mark. In the second theory, you're arguing that, well, we've got a weak mark and this Hargis guy is so big and people will be confused. They are talking out of both sides of their mouth because they have to come up with some theory that will work. And so that's why they've come up with this theory that Hargis is a big, bad bully and he's saturated the market, which is ridiculous. So that's why they created this website with the hope that you'll buy into this idea that, "We can't get into the market now. We just can't. He's so covered up the market. Folks, when they buy our products, they'll think they are Hargis' products."

And here's what they've done in an attempt to do that. **[1362]** Let me list a few things.

Cecilia, how much time do I have on my first?

COURTROOM DEPUTY: It's on 18.

MR. YARBROUGH: I see.

Here are the things they've done in an attempt to create this appearance of confusion. Used metatags and key words with our name or variations of our name to try to direct people to their site. Purchased a number of domain names with our name to try to direct people to their site. He has this young man Victor calling our customers. And if you buy the idea, well-- excuse me. I just respectfully submit to you that's not how you go about starting a construction fastener business. Hargis doesn't even ship to the west coast, west of the Rockies. It's too expensive. So he is starting this legitimate construction fastener business, having a young man named Victor who has been at his business less than a year calling Tyler people? No evidence of a single sales call he's made, no evidence of an ad he's printed, no evidence of a trade show he's attended in the metal building construction business, no subscriptions to any metal building magazines.

And then for the first time in Bruce Crouch's history with the company, they get a fax from MECO four days before Mr. Crouch's deposition -- can you put up, Deverick, side by side those two MECO documents? I want the jury to see this again. It's not the right one. The one that has -- that's [1363] redacted, that has the black redaction through it. I think it was Defendant's — there we go, 33. Can you put the other one up next to it that's in January that went to B&B Hardware? Okay. Great. Thank you.

Take a look -- this is -- MECO knows who they are dealing with. They know they are dealing with B&B Hardware. And they said, "Well, we've never sold them a product." And yet they've had quotations and MECO has made requests for quotations from B&B Hardware back to 2003.

Now, on the right is the one in January from MECO to B&B Hardware. It goes to the hardware -- B&B Hardware location in California. It's a B&B Hardware part. I'm looking at the one on the right. And it has "B&B Sealtight fastener" down there in the middle of the page, third line down. Then Hargis had never gotten this ever in all of its years of business, and four days before Mr. Crouch's deposition, look, they are identical. And the language in the middle of the page is absolutely identical. But what's redacted out and marked out is "B&B Sealtight fastener" and the part number. That's not a legitimate document that Hargis got. That was intended to try to convince you that there's some kind of confusion in this case.

And then if you would pull up -- then the next step is -- yes. And it is incredible. And why somebody suing a party like this would copy their own website -- but they lifted those **[1364]** images of those fasteners. That evidence is overwhelming. You've heard enough about that, I know, but I want to talk a little bit more about it. They lifted those photos and they -- here's what's interesting. Counsel spent all of the time talking about the photos and, you know, who knows and why would he do this. And you've heard all kinds of stories. You've heard, "Well, those aren't the same photos once we took a close look. I

told Ezequiel to take the photographs." But Ezequiel said, "Those aren't my photographs." Sanjiv did it." It's the Sanjiv defense. You've heard all of that kind of thing. But one thing Mr. Bogatz did not do is he did not dispute and he acknowledged -- because he thought we were strictly focusing on fastener photos in this case, he did not dispute that he authored the weights and tables.

Now, there was a company known at one time, they would intentionally put typos in their documents to see if others were copying them. That didn't happen here. We certainly didn't do that. This is copied right down to the typo. And he doesn't dispute that he authored those weights and table. He copied our website weights and tables verbatim. And he must take everybody for a fool. Not only the photos, but the weights and tables. And you'll even see some of the language in the websites that kind of track each other. If he had spent as much time in his company and invested as much effort in trying to maintain and manage an honest company as he has in **[1365]** this litigation, he would be so much better off. But instead he blames Hargis, he blames Fastenal in the new lawsuit that they filed in May about four courtrooms down, he blames Hargis' customers, and he blames Sanjiv. There is not a likelihood of confusion. And this is an effort to convince you otherwise.

Okay. The next factor you can consider is the degree of care likely to be used by customers or prospective customers of the two companies. And I won't spend too much time going back over this, ladies and gentlemen, but the evidence is clear.

There's been no dispute. They've not brought in one customer to say that the people who buy fasteners for the aerospace and high-tech industries know what they're buying. They're knowledgeable, sophisticated purchasers. They have engineering staffs. They buy according to specifications by their engineers. They know what they are buying. And the folks you heard yesterday, not to speak of the Hargis employees, there's overwhelming evidence that people in the metal building construction fastener industry -- they know what they are buying. These are knowledgeable purchasers that know the difference. And that's why there is no likelihood of confusion as to the source of the goods. People who buy Hargis fasteners know what they are buying. People who buy B&B Hardware fasteners know what they are buying.

All right. Let me talk to you the next -- spend some time going to the next factor. And I'll move through these and then **[1366]** we'll talk a little bit about Hargis' claim. The next factor you can consider is Hargis' -- whether Hargis intends to pass off its goods as those of B&B Hardware. What evidence is there of Hargis' intent? To the extent that you find Hargis does not intend to pass off its goods as those of B&B Hardware, that supports a finding of no likelihood of confusion. And what evidence is there? You heard from Joe Hargis how he came up with the name Sealtite from John Temples in Alabama, an acquaintance of him -- his. They talked about going into business together, and ultimately they didn't. And there's no dispute about the fact that he came up with that name Sealtite from his friend John Temples in Alabama and

adopted it. And there's no dispute about the fact that he adopted it before he ever spoke to Larry Bogatz. And he didn't call Larry Bogatz about a quote on construction fasteners as was represented to you. He called on behalf of East Texas Fasteners because he saw an ad to get a quote on industrial fasteners. But there's no dispute about John Temples and how he came up with the name. There's no dispute about the fact that he was using his mark before he ever knew anything about B&B Hardware or Sealtight.

And here's what I think is pretty critical evidence in this case. The claim is that, well, gosh, wouldn't you be worried? You see this ad. You see -- I think Mr. Hargis said he didn't even recollect -- he saw B&B Hardware later on in the conversation that came up they were both using the marks. His **[1367]** testimony was they both discussed the fact they were in different markets and realized they had no conflict.

But here's something more significant. Joe Hargis didn't start his business in 19- — start doing this in 1992. He didn't start when he first talked to Larry Bogatz. He had been in the business since 1965. And they want to describe this as a big company, but this man started from scratch. They like to talk about humble beginnings. He really does have humble beginnings. He started from scratch. And at the time he opened his business in Tyler in 1992, he had 27 years in the business. And he has been blessed with some pretty innate talent and a true love for the construction fastener line. And he's built an extraordinary business and surrounded himself

with a remarkable group of quality employees over that period of time. But he had built this business through his contacts, through his hard work, through his reputation in the construction fastener line.

Mr. Bogatz mocked Mr. Hargis during his testimony about how he tried to play up being a good old boy. But the fact is that Joe Hargis has built a tremendous company. They are selling 75 million fasteners a month. Why in the world would he have any interest in trying to adopt or to pass off his goods as those of a company -- of a company that's in Maumelle, Arkansas, they are working out of their garage, and then they go to California, they have maybe four full-time employees. **[1368]** Again, I'm not demeaning the Bogatzes or trying to put them down at all, but why would Joe Hargis care less if he's got that kind of success and he's built it through his own hard work and determination and contacts and reputation? He has absolutely no motive whatsoever to try to pass off his goods. We welcome him to come into the construction fastener business. We invite him to do so. It makes no difference to Hargis. They have a tremendously successful business, and they don't need anything from Mr. Bogatz or B&B Hardware.

The next -- the next thing that you'll consider, the next factor or one of the factors, is instances of actual confusion as to the source of the goods. And here again, I respectfully submit to you they are being very misleading. And what they are trying to suggest to you is actual confusion as to the source of the goods. It's not an easy concept, and it certainly

took me awhile to grasp it, but here's the best illustration I can give.

I know a couple in our church named Ann and Shelley Smyth. They spell their names S-M-Y-T-H. I've got another young couple named Mike and Courtney Smith. They spell their names S-M-I-T-H. I know Mike because he's a young ear, nose and throat, and meets with a group of men at my house on Friday mornings. I know who Shelley Smyth is because Shelley is retired from Tyler Pipe after 35 years. I might pick up the phone in the church directory and I might call Shelley Smyth, **[1369]** S-M-Y-T-H, rather than Mike Smith. I might get confused. I might call the wrong number. I might send even a fax to the wrong place. But I'm not the least bit confused as to who Shelley is and who Mike is. That's the best illustration I can give you as to there's no confusion as to the source of the goods. There may be confusion as to the names.

There's -- there is a Huckabay, a lawyer here in Little Rock named Huckabay. Of course, you know who Mike Huckabee is. They spell their names the same. Somebody might get confused as to the name and call that particular number, but they are not confused as to who the people are. And there is no evidence in this case of any actual confusion as to the source of the goods, that somebody bought a B&B Hardware product thinking it was a Hargis fastener, or bought a Hargis fastener thinking it was a B&B Hardware fastener.

And if you recall when Mr. White took the deposition of Mr. Bogatz' sister, Terri Carlton, he kept putting document after document after

document in front of her. "Explain to me how this is an example of actual confusion." She said, "No. I can't. No. No. No," repeatedly. She understood what that means. And then you hear Victor Solano, Victor Solano who he asked, "Well, how many times have you even gotten a call?" Even if that was confusion, which it's not -- even if it was confusion, Victor said, "Well, one call." Or Ezequiel, "I've had a couple in five -- you know, five years or so of working [1370] there." That is not confusion. That's not the confusion that the Court is talking about.

And if you look in the -- you'll have an instruction from Judge Wright that says, "When I say that you must determine whether Hargis' use of its Sealtite mark creates a likelihood of confusion, I mean a likelihood of confusion as to the source of the parties' fasteners. A likelihood of confusion as to something other than the source of the parties' building fasteners is not a likelihood of confusion for purposes of my instructions to you even if caused by similarity of the parties' marks." Please don't be confused by this evidence they are trying to put in front of you and suggest that it's a likelihood of confusion as to the source of the goods. It's not. Phone directories, Amazon.com, these faxes that went to one place, but still described a B&B Hardware product or a Hargis product, that is not confusion as to the source of the goods. I can't emphasize that enough. And to say otherwise is misleading.

What evidence is there of actual confusion? Don't you realize and know that if they had evidence of really actual confusion as to the source of the goods, you would have one customer -- one customer would

come in this courtroom and tell you that? The fellow at MECO would come say, "I was confused." Somebody from Fastenal would say, "I am confused." They didn't call one person to tell you that there's confusion as to the [1371] source because there's not, and they know it.

And here is a critical evidence and information in this regard. This is from the plaintiff himself. He does not have evidence of one single sale that B&B Hardware has lost because someone bought a Hargis fastener believing it to be a B&B fastener. In 18 years of coexistence, not evidence of one lost sale. There is no likelihood of confusion in this case. And when -- then here's the final kicker in this regard.

I'm probably going to use 50 minutes actually.

Here's the final kicker in this respect. You remember I asked him, I said, "Well, is it your testimony that your loss of sales, your diversion of sales, is due to Hargis?" "Yes, sir." "Is that the sole cause of your loss of sales, diversion of sales?" "Yes, Hargis was the sole cause." He did not know that we knew that he filed a 150 million-dollar lawsuit against Fastenal claiming Fastenal was the one who has diverted his sales. He also didn't know that we knew that he had an exclusive distributorship. And he wants to suggest that I'm supposed to tell him at his deposition about him lifting images and lifting weights and tables? That's not what a legitimate lawsuit is about. Our courts are open for folks who have legitimate injustices done to them. And this is not one of them. This is an effort by someone to try to manufacture confusion for purposes of this lawsuit and then turn right around and do something

directly contradictory and claim that [1372] some other company, Fastenal, a massive company, is the one that's caused all of his losses and confusion.

There is no actual confusion as to the source of the goods in this case, and I respectfully submit to you to reject and say no to those questions as to whether Hargis' use of its mark is likely to cause confusion.

We have already discussed some of the ways in which they have attempted to manufacture confusion, but I want to speak to this common customer list for just a few minutes that counsel keeps saying that we're the ones misleading you on that. This is Plaintiff's Exhibit 178.

If you could bring that up, please.

They are the ones that submitted this document that says "common customer information." You folks can decide what you think that means. What I think it means is when somebody presents a document that says "common customer information," that means they've got customers that are common to ours. But when you go through this list, there was no documentation to support almost all of them, almost all of them. And the few that were on there that show that at least there's some documentation there might be a common customer -- not that that means that those customers are going to be confused. They could buy industrial fasteners. They could buy construction fasteners. That doesn't mean confusion. But even with respect to those, there was one that had about $1,000 in sales. There [1373] was another one that had no dollars in sales in terms of documentation.

And the only other thing was Fastenal where they showed $380,000 of sales to Fastenal. They've had a lawsuit against Fastenal. They're the ones claiming that it's Fastenal, not Hargis, that has diverted their sales. So the irony is they want to try to suggest that Hargis has caused confusion as to Fastenal, which sells industrial fasteners, other kinds of fasteners, and construction fasteners. No confusion there. But they are the ones trying to suggest that Hargis has caused confusion as to Fastenal. They turned right around and filed this lawsuit.

Can you put the video up there of the attorney and the Bogatzes?

They filed this 150 million-dollar lawsuit against Fastenal claiming it's Fastenal that's caused them damage.

There are two final factors that you can consider. And I don't -- we don't intend to show you the video. But here's the other lawsuit. It is entirely inconsistent with and totally contradictory to what they are alleging in this case. And I simply want to bring it back to your attention once again. The final two factors are the strength of B&B Hardware's trademark. It's a weak mark. The public does not associate that mark with B&B Hardware. And as far as the -- it's a weak mark, folks. And I'll let the evidence decide rather than me tell you.

[1374]

And then the similarity of the two marks, they are similar. But as you look at all of these factors, as you look at each one of them, please -- and use your

common sense, Hargis' use of its mark is not likely to cause confusion. They don't compete. They are in different markets. And they are different applications. And they've tried to manufacture confusion.

I'm going to speak briefly about Hargis' claims and then have a little time left -- I have eight minutes left?

COURTROOM DEPUTY: Yes, sir.

MR. YARBROUGH: Pictures speak a thousand words. I won't spend much time talking to you about this. Let's just pull up a couple of them.

Pull up the Rustbuster Steel and the Hargis Steelbinder, please, Deverick.

You'll have a chance, if you choose, to go back and compare these two websites, if you like, to see whether or not you think there was any copying involved. A lot of unanswered questions. But if there's any question at all about lifting and copying, these pictures say it all. Even the shadow, even the wiggly is the same in each. He testified that -- he testified -- he had this in front of him. He had these in front of him during his deposition, and I went through each one of them. And he said, "My wife and I designed those. We had them manufactured. We had them brought back. And photographs [1375] were taken of these marks." Now he said, "We really weren't paying attention." It is just ridiculous and it defies common sense and it defies, I think, your good judgment.

They want to attack Joe Hargis about the early first use date he put in that declaration. But the fact is that he was the one that brought it to everybody's attention and said that's the wrong date, he made a mistake. And he just said it was wrong. He corrected it. This is something quite different. And I think that'll speak for itself.

And then the weight -- again, their focus has been so much -- they've been so worried about the photographs. And there's no evidence in this case that these are anything but the same fasteners. He failed to deal with the fact that he admitted to you he authored the contents of these weight charts. And there is no mistaking that you cannot in the industry -- these are not industry standard weights. Mr. Crouch spoke to you a great deal about that.

They copied this website. They did it to try to create the appearance of confusion when there is none. And then they've tried to tell story after story in order to perpetuate this thing because they've been caught and they are in a trap. It is not something we created to send you down a side road. It is something they did. And we wanted to bring it to your attention.

You should answer "no" to the first two questions. If you **[1376]** answer "no," you will not have to answer question 3 and 4. You should answer "no" to questions 5 through 7, and then answer "yes" to questions 8 through 10. I'll have more to talk to you about some of our counterclaim, not much time, but Ms. Perkins will have a chance to get back up next and respond to what I've said. I won't have a chance to respond to what she says again on likelihood of

confusion. I'm limited to our counterclaim, as I understand it. So just consider what she says in light of the evidence and your common sense. And I'll have a few moments at the very end to speak to you a little bit more about our counterclaim. Thank you.

THE COURT: Ladies and gentlemen, you have been in here now for over an hour and a half, so I'm going to give you a break before we hear further arguments. Each side is entitled to some rebuttal.

And I want to admonish you again very strongly not to discuss this case with each other during this break and don't remain within hearing of anyone who happens to be talking about the case. Keep an open mind on the issues. You still haven't heard everything there is to hear. Leave your notes in your chairs. And we're going to -- Uncle Sam is treating you to lunch today. So if you have not ordered lunch, you may take advantage of this 20-minute break to give the marshal your order. So court is in recess for 20 minutes. I'll remain here.

[1377]

(Jury exited the courtroom.)

THE COURT: They might want to know how much time they have left on each side.

COURTROOM DEPUTY: Yes. You have ten minutes.

And you have 15 and 20 seconds.

MR. YARBROUGH: I have 15 minutes?

COURTROOM DEPUTY: Left for your --

MR. YARBROUGH: Rebuttal.

COURTROOM DEPUTY: I've added what you didn't use. I put 50 total.

MR. YARBROUGH: I see. I had misunderstood. I thought I had five minutes total left.

COURTROOM DEPUTY: No. I'm sorry.

MR. YARBROUGH: That's okay. That's my fault, not yours.

THE COURT: Anything? Y'all have a good break.

MS. GUNTER: Your Honor, there's one thing real quick. I noticed in the instructions upon further review, there's a couple of places where it says "metal fasteners," and then there's one that says "building fasteners."

THE COURT: Show me where, please.

MS. GUNTER: On 10 -- I'm sorry -- on 11. I believe it's also on 10. But on 11, in the last paragraph, it says "origin of the metal fastener," and then there's one that references –

[1378]

THE COURT: All right. We will delete the word "metal." Is that agreeable?

MS. GUNTER: Yes. And I believe it's also on No. 10 as well. It is. It's also in that last paragraph.

THE COURT: All right. Any other place?

MS. GUNTER: On No. 12, that's where it has "parties' building fasteners," and we just ask that "building" be deleted.

THE COURT: All right. I think that -- yeah, okay. I'll do that. Anything else?

MS. GUNTER: Nothing else.

THE COURT: All right. I'll try to take care of this in the -- fortunately, we have wonderful computers that can take care of that.

All right. Any objection to my doing that?

MS. PERKINS: No, ma'am.

THE COURT: Thank you. We'll do it.

Court is in recess.

(Recess at 10:41 a.m. until 11:03 a.m., jury present.)

THE COURT: All right. We're now going to hear rebuttal, first from B&B Hardware.

Ms. Perkins.

MS. PERKINS: Thank you, Your Honor.

Well, if you had any doubts before, it's clear at this point that Hargis does not like the fact that B&B is trying to **[1379]** get into the construction fastener market. They've attacked them. They've mocked them. They've laughed at them. They've accused them of manufacturing evidence. They've accused them of all kinds of misrepresentations. You know, one of them I mentioned awhile ago that I want to mention again, you know, they accused them of not really obtaining the construction fastener samples from these manufacturers in -- overseas. I think most are in Taiwan.

We have the invoices, the invoices that clearly show that B&B received these fasteners. We've got these designs that we've gone over. We've got the other -- the business plan, the business plan that they laughed at. B&B has the absolute right to go into the construction fastener area of the fastener industry with its own name.

Now, Hargis was talking to you about that there's no evidence of actual confusion. Hargis just said to you-all, "They've misrepresented this evidence." Well, I would like to just draw your attention to one of the examples. I'm not going to go back through all of those examples of actual confusion, but we believe if you will look at those, that they show actual confusion as to the source of the product. But let's look at this example. I mean, this is Northern States Supply sending a Hargis product to B&B. I submit to you that that's confusion as to source of product.

Mr. Yarbrough had a demonstrative document that he was **[1380]** showing on the computer where he said, "Is there a likelihood that customers or

potential customers will buy a B&B fastener under the confused belief that it is a Hargis fastener?" That's not what the law says. Look at the jury instruction -- I'm not going to take it back over there right now. But look at the instruction that Judge Wright is going to give you. It doesn't say you've got to buy a product. It doesn't say "will buy" in there anywhere. It says, "If customers or potential customers, neither overly careful nor overly careless, would be confused as to the origin of the fastener.

Another thing I would like to point out on the likelihood of confusion factors -- of course, one of the factors is the closeness of the products and how competitive are they. We have never said that these two fasteners, that B&B's fasteners and that Hargis' fasteners, were exactly alike. I showed them to you and I said they both look like fasteners to me. And they do. But we've never said that they were absolutely directly competitive. And you know what? Direct competition is not required. Look at the jury instruction that Judge Wright is going to give you. It says that you're supposed to look at, and I quote, "the degree to which the products are in competition with one another." That doesn't say they have to be directly competitive.

Now, there was some discussion about the video, the video that y'all saw from the lawsuit that B&B has filed against [1381] Fastenal. And, you know, it was represented to you that that was directly contrary to Mr. Bogatz' testimony about how he feels that B&B has been damaged by Hargis' actions. Well, it's not. You remember the exercise that we went through where we looked at B&B's total sales

and Mr. Bogatz added them up. And then we looked at his total sales to Fastenal. And it was for the same years. And we figured out that B&B's sales to Fastenal are only 7 percent. 7 percent of B&B's total sales are sales that go to Fastenal. So what about the other 93 percent? That doesn't have anything to do with any allegations that B&B is making against Fastenal.

Now, we looked at this common customer list again. And I think it's Exhibit 178. There was again a suggestion that there was a representation that this was supposed to be customers that B&B sold products to. Mr. Bogatz didn't say that. He said -- he said he didn't even make this list. This was a list that was given to him by his attorneys. And he said that he was given this list and asked to go find out. "Okay. Look at this list and see who you've made a quote to and who you've sold something to." There's no misrepresentation with respect to this, never has been.

I would like to have you look for just a minute at the jury instructions that we believe the Court will give you as to the claims that Hargis has made against B&B. And what I'd like to draw your attention to is this is the instruction on false [1382] advertising. And you'll hear in the instructions that they've made a claim against B&B for false advertising.

Now, I'd like to direct your attention to the fourth element down there where it says, "Hargis has been or is likely to be injured as a result of the false statement." Have we seen any evidence of that? And let's go on while I'm over here to the next one

which is on their claim as to false designation of origin, and the last sentence, "who is or is likely to be damaged by the false designation of origin." So my point is even if you believe Hargis as to all of this website business, they haven't shown us one shred of evidence of how they've been damaged.

Now, how might they be damaged? Well, they are not going to be damaged because there's no likelihood of damage because the website isn't up. No one's disputed the fact that Mr. Bogatz, when he first learned something about an issue with respect to the website -- no one's disputed the fact that he took it down immediately. No one's accused him of putting it back up or anything like that. We've shown you the new website. They hadn't made any accusations against it. So how have they been damaged by that?

Another thing to consider -- I mean, obviously we think it's ridiculous the way the Bogatzes have been attacked about this whole website thing. But if you believe them, if you believe what they are saying about the website, it doesn't have [1383] anything to do with the claim for trademark infringement against Hargis. You can find that there's trademark infringement against Hargis regardless of what you find with respect to their claims against B&B.

Now, another really important point I want to make is that there's been this accusation of manufactured evidence. Well, what evidence have we seen? What evidence have you been shown related to likelihood of confusion that has anything to do with this construction fastener website? We've shown you all of these examples of actual confusion,

like the one here from Northern States Supply. It doesn't have anything to do with the construction fastener website, not at all.

As I close, I want to thank you for your time, thank you for your attentiveness. We believe that the evidence shows that there is a likelihood of confusion between these marks. Thank you.

THE COURT: All right. Mr. Yarbrough.

MR. YARBROUGH: Thank you, Your Honor.

Just take a few more minutes and we'll be done and it'll be your opportunity to then deliberate.

Let me speak to a few things with respect to this website. Take a look, if you would, when you go back into the jury room, in addition to Steve Henderson's report and his exhibits -- actually, the exhibits to his report, I think it's Defendants' Exhibit 133, look at Plaintiff's 168 and look at these e-mails. **[1384]** The very night before this website went online, Mr. Bogatz was e-mailing Sanjiv about changes he wanted. He was intimately involved and so was Mrs. Bogatz in this. And to testify from the witness stand now that they just weren't paying attention, they had other things going on, is directly contrary to what you'll see in these e-mails.

The other thing you'll notice is after he found out that we found out what he had done, he waits until May to send an e-mail, which he then presents as evidence to Sanjiv to say, "Hey, there's a problem. Something has gone wrong here. Would you get ahold of me?" Waits until May. Now, if you were

accused -- or you believed something like this had happened or you were accused of this kind of thing, would you wait until then to send an e-mail, or would you just create an e-mail to make it look good?

The other thing is you'll note that Sanjiv sends an e-mail back and says, "I know you've been trying to get ahold of me." And Mr. Bogatz acknowledged that he wasn't sure these were all of his e-mails. And I'll tell you folks that it's not. They have not given us all of the e-mails. You don't see any attachments that they sent. You don't see anything from that site they set up with the password. It is absolutely indisputable what happened here.

And here's what he was thinking when he acknowledged that he authored the content of these tables and weights. Do you **[1385]** remember what he said in his testimony? Well, a fastener is a fastener. It's like a 16 penny nail. And we know better. And Mr. Crouch explained that to you. He thought folks would just -- he thought that all fasteners are the same in the construction business, they're like 16 penny nails. Nobody is going to know the difference. They are going to think everything is the same. And we know better.

One of the things that's just remarkable is when I asked him about the -- let's see. It was -- let me find it.

Can you pull up the B&B Woodlocker ACQ and the Hargis Woodbinder ACQ, Deverick, please?

And, fortunately, we took his deposition in March. We had an opportunity to secure his testimony under oath before we showed up here at trial.

You recall -- thank you. Pull that up a little bit.

You see the 9-by-1 size down there, I asked Mr. Bogatz in his deposition, "Well, were you selling this 9 by 1 because that's the best in the industry? That's the industry standard?" "Yes, sir, that's the industry standard." That's what he thinks. It's a 16 penny nail. It just so happens that the only reason we're selling these is that's all that's left in stock. It's the least popular. And only because there's some left in stock, as Mr. Crouch told you, is this even up here.

Repeatedly, time after time, this man has not told you the **[1386]** same story twice. And the evidence, I hope, demonstrates to you -- and here's why, here's why -- here's how we've been damaged: Because we've had to defend a frivolous lawsuit. And they have tried to -- they've done this whole thing to manufacture this thing in a desperate attempt to win this lawsuit. And it's damaged us tremendously. We're not seeking damages, but we want this to stop. We want it to stop. And that's why I ask that you answer those questions, I believe it's 8 through 10, you put "yes" in order that we won't have to have somebody like this copying our photos and copying our texts and getting involved in our business.

Again, we welcome him to enter the construction fastener industry if that's what he wants to do. Mr. Hargis is not particularly concerned about that. What he is concerned about is somebody like this copying their products, their fasteners. Doing this

kind of thing is just outlandish. And it will -- to have somebody do something like this that knows nothing about the construction fastener business -- they want to set up their own website, we welcome it, but please don't do this to our products and our reputation, and don't put us through the incredible damage of having to defend a case like this, a frivolous lawsuit like this.

A few more items I'd mention to you to keep in mind. If you tell one untruth, you have to keep telling untruths. And they put up these design drawings -- by the way, Ms. Perkins [1387] made reference to these invoices from these manufacturers. Look -- you can look at these, folks, and you can see they were really trying to get into the business. Note that those invoices, I believe every one of them is either dated December of this past year or January of this year; 20 years later, four months before the lawsuit. Everything is dated right here four months ago. This is orchestrated. It is not legitimate.

And the design drawings that Tom Hulsey talked to you about, here's their design drawings that they came up with these construction fasteners. Plaintiff's Exhibit 176, they are machine threads. You need somebody like -- I need somebody like Tom Hulsey to let me know that. These are machine threads, not for construction fasteners. This is the same fastener over and over and over again. They've got bi-metal down here and it's one piece of metal. Somebody like Tom Hulsey can take a look at this and know what's going on. This was created to create this illusion like everything else. One untruth

leads to another. That business plan is no business plan as Mr. Crouch testified very eloquently about that.

Questions 1 and 2, please answer "no" based on the evidence in this case. If that's the most they can come up with in 18 years, this purported actual confusion -- if that's the most they can come up with in 18 years, that's ridiculous. And you're entitled to look at all of those factors. Ultimately it is your decision: Is Hargis' use of its mark **[1388]** likely to cause confusion looking at all of the factors? And that's all --

MS. PERKINS: Your Honor, I'm really sorry to object, but I was under the impression that Mr. Yarbrough was directed only to discuss his counterclaims.

MR. YARBROUGH: I'm discussing this as a basis on which they've manufactured this case, and that's the reason for it.

THE COURT: Well, as long as he is focusing on his claim against you, I'll permit him to proceed. So overruled.

Go ahead.

MR. YARBROUGH: Answer "no" to the first two, you don't have to answer 3 and 4. Answer "no" to 5 and 7. And when you get to the false advertising question and the false designation of origin by B&B Hardware, that's the Court's Instructions 16 and 17, answer "yes" to 8, 9 and 10. We will be done with this. It'll be over. And that is all we're asking you to

do. We greatly appreciate the time and attention you've given to this, your sacrifice. And we will be here when you return with your verdict. Thank you.

THE COURT: All right. Ladies and gentlemen, it's my turn to read to you the Court's instructions as to the law. Don't worry if I mispronounce something or if I stumble over my words as I sometimes do because I will be giving you these very instructions that I'm reading from so you'll have them with you **[1389]** in the jury room during your deliberations. And I'll start reading them now.

Court's Instruction No. 1. Members of the jury, the instructions I gave at the beginning of the trial and during the trial remain in effect. I now give you some additional instructions. You must, of course, continue to follow the instructions I gave you earlier, as well as those I give you now. You must not single out some instructions and ignore others because all are important.

The instructions I am about to give you now are in writing and will be available to you in the jury room. I emphasize, however, that this does not mean they are more important than my earlier instructions. Again, all instructions, whenever given and whether in writing or not, must be followed.

Court's Instruction No. 2. The faithful performance of your duties as jurors is essential to the administration of justice. It is my duty as judge to inform you of the law as a whole, not singling out one instruction to the exclusion of the others. You should not consider any rule of law with which you

may be familiar unless it is included in my instructions.

From the evidence you will decide what the facts are. You are entitled to consider that evidence in the light of your own observations and experiences in the affairs of life. You will then apply those facts to the law which I give you in these and in my other instructions, and in that way reach your verdict. **[1390]** You are the sole judges of the facts, but you must follow the law as stated in my instructions whether you agree with it or not.

In deciding what the facts are, you may have to decide what testimony you believe and what testimony you do not believe. You may believe all of what a witness says or only part of it or none of it.

In deciding what testimony to believe, consider the witnesses' intelligence, their opportunity to have seen or heard the things they testify about, their memories, any motives they may have for testifying a certain way, their manner while testifying, whether they said something different at an earlier time, the general reasonableness of their testimony, and the extent to which their testimony is consistent with other evidence that you believe.

In deciding whether or not to believe a witness, keep in mind that people sometimes hear or see things differently and sometimes forget things. You need to consider, therefore, whether a contradiction is an innocent misrecollection or lapse of memory or an intentional falsehood, and that may depend on whether it has to do with an important fact or only a small detail.

Do not allow sympathy or prejudice to influence you. The law demands of you a just verdict unaffected by anything except the evidence, your common sense, and the law as I give it to [1391] you.

You should not take anything I said or did during the trial as indicating what I think of the evidence or what I think your verdict should be.

Court's Instruction No. 3. I have mentioned the word "evidence." "Evidence" includes the testimony of witnesses, documents and other things received as exhibits; and any facts that have been stipulated, that is, formally agreed to by the parties.

Certain things are not evidence. I will list those things for you now.

1. Statements, arguments, questions and comments by lawyers are not evidence.

2. Objections are not evidence. Lawyers have a right to object when they believe something is improper. You should not be influenced by the objection. If I sustained an objection to a question, you must ignore the question and must not try to guess what the answer might have been.

3. Testimony that I struck from the record or told you to disregard is not evidence and must not be considered.

4. Anything you saw or heard about this case outside the courtroom is not evidence unless I specifically told you otherwise during the trial.

Furthermore, a particular item of evidence is sometimes received for a limited purpose only. That is, it can be used [1392] by you only for one particular purpose and not for any other. I have told you when that occurred, and instructed you on the purposes for which the item could or could not be used.

Finally, some of you may have heard the terms "direct evidence" and "circumstantial evidence." You are instructed that you should not be concerned with those terms since the law makes no distinction between the weight to be given to direct and circumstantial evidence.

Court's Instruction No. 4. In these instructions you are told that your verdict depends on whether you find certain facts have been proved. The burden of proving a fact is upon the party whose claim or defense depends upon that fact. The party who has the burden of proving a fact must prove it by the preponderance of the evidence. To prove something by the preponderance of the evidence is to prove that it is more likely true than not true. It is determined by considering all of the evidence and deciding which evidence is more believable. If, on any issue in the case, the evidence is equally balanced, you cannot find that issue has been proved.

The preponderance of the evidence is not necessarily determined by the greater number of witnesses or exhibits a party has presented.

You may have heard the term "proof beyond a reasonable doubt." That is a stricter standard which applies in criminal cases. It does not apply in civil

cases such as this. You [1393] should, therefore, put it out of your minds.

Court's Instruction No. 5. You have heard evidence that there was a previous trial involving these parties. Keep in mind, however, that you must decide this case solely on the evidence presented to you in this trial. You have heard evidence of TTAB proceedings between the parties, and the Court has instructed you concerning how you may consider that evidence.

Court's Instruction No. 6. You have heard testimony from persons described as experts. Persons who, by knowledge, skill, training, education or experience, have become expert in some field may state their opinions on matters in that field and may also state the reasons for their opinion. Expert testimony should be considered just like any other testimony. You may accept or reject it, and give it as much weight as you think it deserves, considering the witness's education and experience, the soundness of the reasons given for the opinion, the acceptability of the methods used, and all the other evidence in the case.

Court's Instruction No. 7. Plaintiff B&B Hardware, Inc. -- and I've put in parentheses here "B&B" because that's how I refer to it later or throughout these instructions -- and Defendant Hargis Industries, Inc. -- and again "Hargis" is in parentheses because that's the way I refer to the defendant from here on in these instructions. So I'm going to repeat, [1394] Plaintiff B&B claims that Defendant Hargis infringed B&B's trademark. A trademark is a word, name, symbol, device, or a

combination of these items that indicates the source of goods. The owner of a mark has the right to prevent others from using the same mark or a similar mark that is likely to cause confusion in the marketplace.

A person acquires the right to prevent others from using the same mark or a similar mark that is likely to cause confusion in the marketplace by being the first to use it in the marketplace. The owner of a trademark has the right to prevent others from using the same or similar mark that is likely to cause confusion in the marketplace.

The purpose of trademark law is to prevent confusion among consumers about the source of products and to permit trademark owners to show ownership of their products and control their product's reputation.

Court's Instruction No. 8. The owner of a mark may apply to obtain a certificate of registration issued by the United States Patent and Trademark Office, or PTO, by submitting an application showing use of the mark in commerce. After obtaining a trademark registration certificate, the owner in an action for trademark infringement may rely on the certificate to create a presumption that the mark is valid, that the registrant owns it, and that the owner has the right to prevent others from using the same mark or similar mark that is likely **[1395]** to cause confusion in the marketplace in connection with the type of goods specified in the certificate.

The parties agree that on October 12, 1993, the PTO approved B&B's application and registered

B&B's Sealtight trademark on the Principal Register, Registration No. 1,797,509, for threaded — and I quote, "threaded or unthreaded metal fasteners and other related hardware; namely, self-sealing nuts, bolts, screws, rivets and washers, all having a captive O-ring, for use in the aerospace industry."

Court's Instruction No. 9. With certain exceptions, a registered trademark is infringed when a person uses it or a phrase similar to it in a manner likely to cause confusion, mistake, or deception among ordinarily prudent buyers or prospective buyers as to the source of the product. The test is not one of actual confusion, mistake, or deception. Rather B&B is required to prove a likelihood of confusion, mistake, or deception.

In order to establish trademark infringement, the owner of a registered trademark has the burden of proving that his trademark is valid. However, I have instructed you that B&B's Sealtight mark is a valid mark registered with the United States Patent and Trademark Office. That fact alone does not automatically preclude Hargis from using its Sealtite mark.

Therefore, B&B has the burden of proving that Hargis used Sealtite without the consent of B&B in a manner that is likely **[1396]** to cause confusion among customers or potential customers as to the source of Hargis' products; or Hargis used the Sealtite mark in a manner that is likely to cause confusion as to the source of B&B's products.

Court's Instruction No. 10. In determining whether there is or will be a likelihood of confusion

caused by the use of Sealtight by B&B and Sealtite by Hargis in connection with fasteners, you may draw on your common experience as citizens of the community. In addition to the general knowledge you have acquired throughout your lifetimes, you may also consider: 1. The strength of B&B's mark; 2. The similarity between the marks in question; 3. The degree to which the products are in competition with one another; 4. Hargis' intent to pass off its goods as those of B&B; 5. Incidents of actual confusion as to the source of the parties' fastener products; and, 6. The degree of care likely to be exercised by customers or potential customers.

In light of these factors and your common experience, you must determine if customers or potential customers, neither overly careful nor overly careless, would be confused as to the origin of the fastener upon encountering the Sealtight and Sealtite marks as the respective parties have used them in the market. No one factor should be given excessive weight at the expense of some other factor, but each aspect should be weighed in light of the total evidence presented at trial.

[1397]

Court's Instruction No. 11. In addition to forward confusion as defined in Court's Instruction No. 10, B&B's claims that reverse confusion has occurred -- excuse me -- B&B claims that reverse confusion has occurred in this case.

Reverse confusion occurs when a larger, more powerful company uses the trademark of a smaller,

less powerful senior owner and causes a likelihood of confusion as to the source of the senior user's goods.

In determining whether there is or will be a likelihood of reverse confusion, you may draw on your common experience as citizens of the community. In addition to the general knowledge you have acquired throughout your lifetimes, you may also consider: 1. Whether Hargis' use of its mark is likely to cause confusion as to the source of B&B's products; 2. Whether the parties are in competition with one another; and, 3. Whether Hargis created a likelihood of confusion by swamping or overwhelming the reputation of B&B with a much larger advertising campaign such that purchasers of B&B's products believe the source of the products is Hargis instead of B&B.

In light of these factors and your common experience, you must determine if customers or potential customers, neither overly careful nor overly careless, would be confused as to the origin of the fastener upon encountering the Sealtight and Sealtite marks as the respective parties have used them in the [1398] market. No one factor should be given excessive weight at the expense of some other factor, but each aspect should be weighed in light of the total evidence presented at trial.

Court's Instruction No. 12. When I say you must determine whether Hargis' use of its Sealtite mark creates a "likelihood of confusion," I mean a likelihood of confusion as to the source of the parties' fasteners. A likelihood of confusion as to something other than the source of the parties' fasteners is not a "likelihood of confusion" for purposes of my

instructions to you, even if caused by similarity of the parties' marks.

Court's Instruction No. 13. B&B claims that Hargis engaged in unfair competition in violation of federal law. That law says that a person who uses in commerce any word, term, name, symbol, or device, or any false designation of origin that is likely to cause confusion or to cause mistake as to the origin of goods, is liable to any person who believes that he or she is likely to be damaged by such act.

This statute provides a civil remedy for persons whose trademarks are infringed.

If you find that B&B's "Sealtight" trademark was infringed by Hargis, then you must find that Hargis engaged in unfair competition under federal law.

Court's Instruction No. 14. B&B alleges that Hargis engaged in false designation of origin by its use of the Sealtite mark.

[1399]

Any person who makes commercial use of any word, term, name, or symbol of false or misleading designation of origin that is likely to cause confusion as to the origin of that person's goods or services, or the origin of the commercial activities of another person, is liable to any person who is or is likely to be damaged by the false designation of origin.

Court's Instruction No. 15. B&B has claimed that Hargis violated the unfair competition law in California. In order to find for B&B on its claim of

unfair competition under California law, you must find that: (1) Hargis engaged in a business activity that violated state or federal law; or the harm caused to B&B by any unfair business practices by Hargis outweighed the usefulness Hargis derived out of those business practices; or the public was likely to be deceived by any unfair business practices by Hargis; and, (2) B&B was damaged or harmed as a result.

Court's Instruction No. 16. Hargis claims that B&B engaged in false advertising. To succeed on this claim, Hargis must establish the following four things by a preponderance of the evidence: (1) B&B made false statements about its own products by copying and posting to B&B's website photos, text, or size and weight charts of Hargis' fasteners from Hargis' website. A statement is false if it is either literally false or literally true or ambiguous, but renders a false impression when viewed in context; (2) B&B's statement actually deceived **[1400]** or had the tendency to deceive a substantial segment of B&B's audience; (3) The deception was material, or likely to influence the purchasing decision of customers; (4) Hargis has been or is likely to be injured as a result of the false statement.

If you find that Hargis has proved each of these four things, then you must find for Hargis. If, on the other hand, you find that Hargis has failed to prove any one of these things, then you must find for B&B.

Court's Instruction No. 17. Hargis alleges that B&B engaged in false designation of origin by copying photos, text, or size and weight charts and posting the same on its website as B&B's fasteners.

Any person who makes commercial use of any word, term, name, or symbol of false or misleading designation of origin that is likely to cause confusion as to the origin of that person's goods or services, or the origin of the commercial activities of another person, is liable to any person who is or is likely to be damaged by the false designation of origin.

Court's Instruction No. 18. In conducting your deliberations and returning your verdict, there's certain rules you must follow.

First, when you go to the jury room, you must select one of your members as a foreperson. That person will preside over your discussions and speak for you here in court.

[1401]

Second, it is your duty as jurors to discuss this case with one another in the jury room. You should try to reach agreement if you can do so without violence to individual judgment because a verdict must be unanimous.

Each of you must make your own conscientious decision, but only after you have considered all of the evidence, discussed it fully with your fellow jurors, and listened to the views of your fellow jurors.

Do not be afraid to change your opinions if the discussion persuades you that you should. But do not come to a decision simply because other jurors think it is right, or simply to reach a verdict. Remember at all times that you are not partisans. You are judges, judges of the facts. Your sole

interest is to seek the truth from the evidence in the case.

Third, if you need to communicate with me during your deliberations, you may send a note to me through the marshal or bailiff, signed by one or more jurors. I will respond as soon as possible either in writing or orally in open court. Remember that you should not tell anyone, including me, how your votes stand numerically.

Fourth, your verdict must be based solely on the evidence and the law which I have given you in my instructions. The verdict must be unanimous. Nothing I have said or done is intended to suggest what your verdict should be. That is entirely for you to decide.

[1402]

Finally, the verdict form is in the form of questions or interrogatories and I'll review them with you. The form is simply the written notice of the decision that you reach in the case. And I'm going to read you these verdict forms right now. Again, they are to be filled out only -- you can fill them out one by one, but only after you've reached a unanimous decision.

"B&B's Claim of Infringement" is the title of the first one. 1. "Do you find by a preponderance of the evidence that Hargis used the trademark Sealtite without the consent of B&B in a manner that is likely to cause confusion among customers or potential customers as to the source of Hargis' products?" Once you have reached a unanimous

decision, your foreperson is to circle either "Yes" or "No."

Interrogatory 2. "Do you find by a preponderance of the evidence that Hargis used the trademark Sealtite in a manner that is likely to cause confusion among customers or potential customers as to the source of B&B's products?" And, once again, you are to answer "Yes" or "No" by circling one or the other on this form once you've reached a unanimous decision.

The next interrogatory has a note that precedes it and it's in bold. And it says, "Answer the following question only if you answered 'yes' to Question No. 1."

Interrogatory No. 3. "Do you find by a preponderance of the evidence that Hargis' use of the Sealtite mark created actual confusion among customers or potential customers as to **[1403]** the source of Hargis' products?" And again, if you have to answer that question, you are to answer it unanimously and answer it -- circle either "Yes" or "No" after you've reached a unanimous verdict.

Question 4 only has a note. "Answer the following question only if you answered 'yes' to Question 2. Do you find by a preponderance of the evidence that Hargis' use of the Sealtite mark created actual confusion among customers or potential customers as to the source of B&B's products?" And again, the instructions are the same; you circle either "Yes" or "No."

Now, these notes about answering Question 3 and Question 4 only if you answered "yes" to Question 1 or 2 don't apply to any of the others. You have to answer all of the others.

And Question 5 is on "B&B's Claim of Unfair Competition. Do you find by a preponderance of the evidence that Hargis engaged in unfair competition?" Answer "Yes" or "No."

Then "B&B's Claim of False Designation of Origin" is No. 6. "Do you find by a preponderance of the evidence that Hargis falsely designated the origin of the Sealtite mark by causing confusion, mistake, or deception as to the origins of B&B's products?" And again, answer "Yes" or "No." When I say, "Answer 'Yes' or 'No'," it's always after you have reached a unanimous verdict do you answer.

No. 7 is on "B&B's Claim of Unfair Competition Under [1404] California Law." And I don't think -- is it okay with you-all if I don't read that one?

MR. YARBROUGH: Yes, Your Honor.

THE COURT: It refers back to Question No. 15.

And then No. 8 is on Hargis' claim for false advertising. And again it says, "Do you find by a preponderance of the evidence that B&B copied photos, text, or size and weight charts of Hargis' fasteners from Hargis' website and posted them on its own website as B&B's products?" Answer "Yes" or "No."

And then No. 9 says, "If you answered 'yes' to Question No. 8, did B&B misrepresent the nature or characteristics of either B&B's or Hargis' fasteners," you answer "Yes" or "No" only if you've answered "Yes" to Question 8.

And then on "Hargis' Claim for False Designation of Origin," it is a very similar interrogatory to B&B's claim against Hargis for false designation of origin. And I'm not going to read it. It's self-explanatory.

I'm going to attach these verdict forms or interrogatories to this set of jury instructions I just read from. And I'm going to ask that the marshal who has been sworn to serve you with discretion -- some judges swear the marshal at this time. I'm not going to do that because he's already sworn. He's already an officer of the Court, and to swear him would be redundant. So I'm going to ask that he come forward. And he **[1405]** will escort you back to the jury room.

And now after telling you not to discuss this among yourselves, I'm ordering you to do just that. And after telling you not to take your notes out of the room, I'm telling you to take your notes with you. And the lawyers and the clerk and I will go through exhibits. I think we pretty much have already done that. And we're going to send back to the jury room the exhibits that have been received in this case so you'll have them for your reference during your deliberations.

Remember you are a jury only when all 12 of you are together. So if one of you is in the bathroom or

something, you're not a jury. You're a jury when all of you are together.

Thank you. And thank you very much for your attention. And I send you -- I excuse you now for deliberations, and hope you have a good lunch.

COURTROOM DEPUTY: At noon.

THE COURT: They are coming at noon?

(Jury exited the courtroom.)

THE COURT: All right. Do y'all want to say anything on the record at this time?

MR. YARBROUGH: Nothing from the defendant, Your Honor.

MS. PERKINS: No, ma'am.

THE COURT: All right. I want to -- please sit down. I want to tell you something. And I guess this has to be part

* * * * *

Verdict Form

B&B's Claim of Infringement

1. Do you find by a preponderance of the evidence that Hargis used the trademark Sealtite without the consent of B&B in a manner that is likely to cause confusion among customers or potential customers as to the source of Hargis' products?

Answer: (circle one) Yes (No)

2. Do you find by a preponderance of the evidence that Hargis used the trademark Sealtite in a manner that is likely to cause confusion among customers or potential customers as to the source of B&B's products?

Answer: (circle one) Yes (No)

NOTE: Answer the following question only if you answered "yes" to Question No. 1.

3. Do you find by a preponderance of the evidence that Hargis' use of the Sealtite mark created actual confusion among customers or potential customers as to the source of Hargis' products?

Answer (circle one) Yes No

NOTE: Answer the following question only if you answered "yes" to Question No. 2.

4. Do you find by a preponderance of the evidence that Hargis' use of the Sealtite mark

created actual confusion among customers or potential customers as to the source of B&B's products?

Answer (circle one) Yes No

B&B's Claim of Unfair Competition

5. Do you find by a preponderance of the evidence that Hargis engaged in unfair competition?

Answer: (circle one) Yes (No)

B&B's Claim of False Designation of Origin

6. Do you find by a preponderance of the evidence that Hargis falsely designated the origin of the Sealtite mark by causing confusion, mistake or deception as to the origins of B&B's products?

Answer: (circle one) Yes (No)

B&B's Claim of Unfair Competition Under California Law

7. Do you find by a preponderance of the evidence that Hargis violated the unfair competition law of California as set forth in Instruction No. 15?

Answer: (circle one) Yes (No)

Hargis' Claim for False Advertising

8. Do you find by a preponderance of the evidence that B&B copied photos, text, or size and weight charts of Hargis' fasteners from Hargis'

website and posted them on its own website as B&B's products?

Answer: (circle one) (Yes) No

9. If you answered "yes" to question no. 8, did B&B misrepresent the nature or characteristics of either B&B's or Hargis' fasteners?

Answer: (circle one) (Yes) No

Hargis' Claim for False Designation of Origin

10. If you answered "yes" to question no. 8, was B&B's copying of the photos, text, or size and weight charts likely to cause confusion or mistake, or to deceive as to the origins of B&B's products?

Answer: (circle one) (Yes) No

_____ _____

Date Foreperson

IN THE UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF ARKANSAS
WESTERN DIVISION

B&B HARDWARE, INC.	*	
	*	
Plaintiff,	*	
	*	
vs.	*	No. 4:06CV01654 SWW
	*	
HARGIS INDUSTRIES, INC. d/b/a, SEALTITE BUILDING FASTENERS, and d/b/a EAST TEXAS FASTENERS, and DOES 1 through 10, inclusive,	*	
	*	
Defendants.	*	
	*	

Judgment

This action came on for trial June 22, 2010, before the Court and a jury, the Honorable Susan Webber Wright, United States District Judge, presiding, and the issues having been duly tried and the jury having rendered its verdict on June 30, 2010; now therefore, pursuant to the verdict,

IT IS ORDERED AND ADJUDGED that plaintiff B&B Hardware, Inc. takes nothing on its complaint against defendants Hargis Industries, Inc., et al., and that the complaint herein be, and the same hereby is, dismissed with prejudice. IT IS FURTHER ORDERED AND ADJUDGED that defendants Hargis Industries, Inc., et al., are is entitled to relief on their counterclaims for false advertising and false

designation of origin. Defendant's claim of copyright infringement is dismissed with prejudice.

DATED this 1st day of July, 2010.

/s/Susan Webber Wright

UNITED STATES DISTRICT JUDGE

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF
ARKANSAS WESTERN DIVISION**

B&B HARDWARE, INC. — PLAINTIFF

VS. — Case No. 4:06-CV-01654 SWW

HARGIS INDUSTRIES, INC., d/b/a SEALTITE BUILDING FASTENERS, and d/b/a EAST TEXAS FASTENERS, A TEXAS CORPORATION — DEFENDANTS

BRIEF IN SUPPORT OF B&B'S RENEWED MOTION FOR JUDGMENT AS A MATTER OF LAW OR, IN THE ALTERNATIVE, MOTION FOR A NEW TRIAL

* * * * *

II. MOTION FOR A NEW TRIAL

The Court should order a new trial pursuant to Federal Rule of Civil Procedure 59 based upon several bases. First, the Court's refusal to admit the TTAB opinions in the proceedings was a substantial error as a matter of law. In addition, the Court's failure to proffer certain jury instructions was also a substantial error as a matter of law. Furthermore, the verdict is against the weight of the evidence as to B&B's claim as well as to Hargis's counterclaims.

A. The Court Erred in Refusing to Defer to the TTAB's Opinions, Including the Finding of a Likelihood of Confusion, Between These Two Marks, or, in the Alternative, Refusing to Admit the TTAB Opinions.

The Court committed substantial and prejudicial error in refusing to defer to the TTAB opinions or, in the alternative, to admit the TTAB opinions involving the same parties.[1] Indeed, Eighth Circuit authority states that the Court should give deference to the TTAB's decision involving these same parties and same trademarks. *See* TTAB Opinion dated August 28, 2007, Proffered Plaintiffs Exhibit 35; *see also* Proffered Plaintiffs Exhibits 31, 32, 33, 34, 181 and 182. The TTAB's determinations were made after fact finding procedures approximating those of a court. Under Eighth Circuit precedent, the district court should give preclusive effect to those findings. At a minimum, the Court should have allowed the TTAB opinions to be submitted to the jury for consideration.

The Eighth Circuit is one of the circuit courts of appeal to have given preclusive effect to the decisions

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[1] Along the same line, the Court refused to allow B&B to introduce the Hargis trademark application and the petition to cancel, which both contained erroneous first use dates asserted by Hargis. *See* Proffered Plaintiff's Exhibits 31 and 33. The Court allowed some oral questioning of this topic, but the oral questioning was not near so effective as use of the documents would have been. In addition, the Court did not allow B&B to use the examining attorney's initial refusal to register the Hargis mark based upon a likelihood of confusion. *See* Proffered Plaintiff's Exhibit 32.

of the TTAB.[2] The leading case on point is *Flavor Corp. of Am. v. Kemin Indus., Inc.*, 493 F.2d 275 (8th Cir. 1974). In *Flavor*, the district court found defendant Kemin Industries, Inc. ("Kemin") liable for infringement of plaintiff Flavor Corporation's ("Flavor") registered trademark, based on an earlier decision of the TTAB in a cancellation proceeding. *See Flavor Corp. of Am. v. Kemin Indus., Inc.*, 358 F. Supp. 1114, 1121 (D. Iowa 1973). The district court relied upon the rule that administrative determinations of factual questions rendered by bodies with fact finding procedures "which approximate those of a court," are binding, at least when affirmed by a statutory court. *Id.* at 1120. It also indicated that there was nothing in the record to suggest that the TTAB, the administrative body in question, had accepted, or decided on the basis of, evidence which would have been unacceptable to a court. *Id.*

Kemin appealed to the Eighth Circuit, arguing that it should not be collaterally estopped from challenging the decision of the TTAB in the

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[2] Both the Seventh Circuit and the Third Circuit also have given preclusive effect to decisions of the TTAB. *See, e.g., EZ Loader Boat Trailers, Inc. v. Cox Trailers, Inc.*, 746 F.2d 375, 378 (7th Cir. 1984), in which the court held "[t]here is no question that the T.T.A.B. was acting in a judicial capacity. . . . Both parties to this appeal were represented by attorneys before the Board; both presented evidence and submitted briefs. Moreover, [the plaintiff] sought and obtained judicial review of the Board's conclusions." Similarly, in *Jean Alexander Cosmetics, Inc. v. L'Oreal USA, Inc.*, 458 F.3d 244 (3d Cir. 2006), *cert. denied*, 127 S. Ct. 1878 (2007), the Third Circuit gave preclusive effect to a TTAB decision on likelihood of confusion.

subsequent civil litigation between the parties. The Eighth Circuit affirmed the district court's decision, holding that the factual determinations made by the TTAB, and later affirmed by the Court of Customs and Patent Appeals ("CCPA"),[3] were "precluded from relitigation in a subsequent infringement action between the same parties under the doctrine of collateral estoppel." *Flavor*, 493 F.2d at 281.

Hargis has previously argued that *Flavor* applies only to cases where TTAB decisions are appealed. Since it did not appeal the adverse decisions against it in either the Cancellation or the Opposition Proceedings,[4] Hargis argued that the TTAB's decisions were not binding on the district court and, therefore, are not binding on this Court. [5]

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[3] Congress conferred Article III status upon the Court of Customs and Patent Appeals ("CCPA") in 1958. In 1982, the CCPA was replaced by the Court of Appeals for the Federal Circuit, another Article III court.

[4] Hargis had the option of appealing the decisions of the TTAB to the Court of Appeals for the Federal Circuit ("Federal Circuit") or to a United States District Court, as provided in 15 U.S.C. § 1071 (a) and (b). Section 1071 provides that any "party to [a TTAB proceeding] *who is dissatisfied*" with the decision of the Board may appeal (emphasis added). 15 U.S.C. § 1071; *see also Trademark Trial and Appeal Board Manual of Procedure* § 901.01 (2d ed. 2004); 37 C.F.R. § 2.145. Hargis had two months to file its appeal of each TTAB decision. 37 C.F.R. § 2.145(d). It did not.

[5] Moreover, refusing to give TTAB decisions preclusive effect simply because they are not appealed would circumvent the two-month deadline for appeals established by 15 U.S.C. § 1071. Congress specifically prescribed a time limit within which the decisions of the TTAB could be appealed. Allowing a party dissatisfied with a TTAB decision to obtain a *de novo* review of the issues decided years after the deadline would provide little

This argument is not supported by the decision *Flavor*. There, defendant Kemin argued that the TTAB was just an administrative body and its decision, although appealed, was merely "rubber stamped" by the CCPA. *Flavor Corp.*, 358 F. Supp. at 1120 (D. Iowa 1973). The district court rejected that argument, holding:

> [T]he fact that the specific issues of fact were determined by an administrative board does not in and of itself prevent the Board's holding from creating a collateral estoppel. **If the decision is a factual matter and if it has been rendered by an agency with fact finding procedures which approximate those of a court, then preclusion should obtain.** On the other hand, if the decision involves a special characteristic of administrative agencies, such as relaxed rules of evidence, then perhaps the determination should not be preclusive. Preclusive effect should be given only to those determinations which closely approximate the decisional process of courts.
>
> Nothing in the record indicates the Board used evidence which would not have been acceptable in the courts. I am of the opinion that the proceedings before the Trademark Trial and Appeal Board approximated the decisional

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incentive for any party to appeal within the statutory time period. Through inaction, rather than compliance with the statute, a party could preserve its *de novo* review right indefinitely. Hargis, in asking this Court to disregard the TTAB decisions, is seeking precisely that—a *de novo* review of its right to challenge the likelihood of confusion determination some three (3) years after the statutory deadline for such review had passed.

> process of courts and this Court is precluded from redetermining factual issues resolved therein followed by an appeal to the CCPA.

Id. (citations and internal quotations omitted) (emphasis added). The key is that the TTAB exercised its fact-finding authority and functioned as a court, not that the TTAB opinion was appealed.

Other cases have also given preclusive effect to TTAB decisions even in the absence of an appeal. In *Jean Alexander Cosmetics, Inc. v. L'Oreal USA, Inc.*, 458 F.3d 244, 246 (3d Cir. 2006), *cert denied*, 127 S. Ct. 1878 (2007), L'Oreal filed a petition in the TTAB to cancel Jean Alexander's trademark registration. The TTAB denied the petition to cancel, holding that there was no likelihood of confusion between the marks. *Id.* at 247. L'Oreal did not appeal this decision. *Id.* Jean Alexander subsequently filed a complaint against L'Oreal alleging trademark infringement. *Id.* The district court dismissed the complaint, holding that the doctrine of issue preclusion prevented Jean Alexander from "relitigating likelihood of confusion and foreclosed its claim for trademark infringement" because likelihood of confusion had been litigated in the TTAB proceeding. *Id.* The Third Circuit affirmed the dismissal, recognizing that Jean Alexander could have appealed the TTAB's finding on likelihood of confusion if it had so chosen. *Id.* at 256.

In the current case, the fact finding procedures employed by the TTAB in the extensive proceedings between these parties clearly approximated those of a court. Among other things, the introduction of evidence before the TTAB is governed by the Federal

Rules of Evidence and relevant portions of the Federal Rules of Civil Procedure.[6] Thus, consistent with the district court's reasoning in *Flavor*, because the TTAB is an agency with fact finding procedures which approximate those of a court (e.g., Federal Rules of Evidence), then *preclusion should obtain*.

Support for this conclusion can be found in several decisions of the U.S. Supreme Court. Even before *Flavor*, the U.S. Supreme Court indicated that findings in administrative proceedings, such as the TTAB's, will have collateral estoppel effect. *See United States v. Utah Constr. & Mining Co.*, 384 U.S. 394, 422 (1966), *superseded by statute on other grounds*. The indication was dicta, but the court took some pains to note that dicta, presumably because it contained views it wished to announce. In the *Utah Construction* case, the Court noted that "[w]hen an administrative agency is acting in a judicial capacity and resolved disputed issues of fact properly before it which the parties have had an adequate opportunity to litigate, the courts have not hesitated to apply *res judicata* to enforce repose." *Id.* This rationale has been applied to decisions involving the TTAB.[7]

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[6] *Trademark Trial and Appeal Board Manual of Procedure* § 702 (2d ed. 2004).

[7] Citing specifically to the Eighth Circuit's decision in *Flavor*, McCarthy, the most respected treatise author on Trademark Law, states that "[s]ome courts will treat Trademark Board decisions as administrative judgments which carry full preclusive effect to adjudicated facts, if these are the same facts which are in issue in the later court proceeding." 6 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 32:97 (4th ed. 2010). McCarthy further notes that there are other courts that will not give preclusive effect but may give some

At a minimum, Eighth Circuit authority requires the district court to show deference to the TTAB's decisions. Even if the Court is not inclined to give the findings of the TTAB preclusive effect outright, it should defer to such decisions unless the contrary is established by evidence that, in character and amount, carries "through with conviction." *See Noah's, Inc. v. Nark, Inc.*, 560 F. Supp. 1253, 1258 (E.D. Mo. 1983), *aff'd by* 728 F.2d 410 (8th Cir. 1984). This rule has its origins in the U.S. Supreme Court decision in *Morgan v. Daniels*[8] in which the Court addressed a challenge to the PTO's determination of priority of invention. Relying on case law from a variety of other contexts, the Court held that the agency is entitled a unique standard of deference.[9]

In the Eighth Circuit, this rule has been applied to decisions of the TTAB. In *Noah's, Inc.*, the court held "that although the civil action before a district court is intended to be a trial *de novo* [under 15 U.S.C. § 1071], the decision of the Board must be accepted as controlling on issues of fact unless the contrary is

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weight to TTAB inter partes decisions. *See id.* § 32.98. McCarthy opines that the better view is to give preclusive effect to TTAB decisions "as long as the issues in the two cases are indeed identical and the other rules of collateral estoppel are carefully observed." *Id.* § 32.99.

[8] 153 U.S. 120 (1894).

[9] "Upon principle and authority . . . it must be laid down as a rule that, where the question decided in the patent office is one between contesting parties as to priority of invention, the decision there made must be accepted as controlling upon that question of fact in any subsequent suit between the same parties, unless the contrary is established by testimony which in character and amount carries thorough conviction." *Morgan*, 153 U.S. at 125.

established by testimony which in character and amount carries *through [sic] conviction*'" *Noah's*, 560 F. Supp. at 1258 (internal quotations omitted) (emphasis added). Applying this standard, the *Noah* court held that it was "*required to accept the factual findings of the agency*, the contrary of which the parties have failed to establish in an amount that carries through with conviction." *Id.* (emphasis added).

In the instant case, the TTAB has made several factual determinations relative to B&B's rights in the "Sealtight"® mark. The most important of those is the August 28, 2007 Order.[10] In its August 28,

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[10] Another important TTAB decision is the one issued on June 13, 2003 in the cancellation action (the "Cancellation Proceeding"), wherein the TTAB set aside its previous order cancelling B&B's "Sealtight"® mark. *See* Cancellation Proceeding Order, dated June 13, 2003, Proffered Plaintiff's Exhibit 34. In the Cancellation Proceeding, the TTAB made several factual determinations that are relevant to the present case. Specifically, the TTAB determined (1) that Hargis "*in fact* did have sound basis for pleading descriptiveness when the original petition was filed" but *chose not to do so* and (2) that Hargis "actually knew the basis for bringing a descriptiveness claim when it filed the original petition but likely *chose not to do so*." *Id.* (emphasis added). Hargis simply failed to meet the statutory five-year deadline and B&B's "Sealtight"® mark was already incontestable. Based on these findings, the TTAB disallowed Hargis's descriptiveness claim and reinstated B&B's "Sealtight"® registration on the Principal Register. The TTAB reconciled its decision with the May 2000 Arkansas district court judgment by noting:

> [Hargis] . . . did not press a counterclaim against [B&B's] registration, and the court did not, pursuant to Section 37 of the Lanham Act, order the registration cancelled. Without a Section 37 order from the court to the Commissioner directing cancellation of the registration, and in the absence of any

2007 decision sustaining B&B's opposition and refusing to register HARGIS's "Sealtite" mark, the TTAB did so based upon its finding that there is a likelihood of confusion between these two marks. The TTAB discussed the likelihood of confusion factors and made specific findings with respect to each of the relevant factors. The Court erred in not allowing this information to reach the jury. Instead, B&B was only allowed to bring into evidence the oral fact that Hargis could not cancel B&B's trademark. B&B was not allowed to even state that there had been a finding of likelihood of confusion by the TTAB. This was extremely prejudicial to B&B, particularly since the jury was aware (through other Court rulings and statements) that B&B had lost the prior jury trial.

In sum, Eighth Circuit authority allows the Court to give preclusive effect to the TTAB decision on likelihood of confusion, and it should do so. In the alternative, the Court should defer to and give weight to the TTAB's likelihood of confusion finding. When coupled with the evidence presented in support of the likelihood of confusion factors, *see infra*, the Court should find that a likelihood of confusion exists as a matter of law. At a minimum, the Court should have allowed the jury to consider the decisions of the TTAB. This erroneous decision

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ability of [Hargis] to pursue a descriptiveness claim in this case, *application of issue preclusion will not allow plaintiff to obtain what the court itself did not order.*

Id. (emphasis added). Thus, the May 2000 district court judgment notwithstanding, the TTAB conclusively determined that B&B's "Sealtight"® registration could not be attacked on grounds of descriptiveness because that challenge had not timely been made. Subsequent TTAB orders in a related proceeding between the parties affirmed this conclusion.

was particularly prejudicial given the fact that the jury was allowed to hear that B&B had lost the prior district court case in 2000. The Court should now correct this error and grant a new trial.

* * * * *

IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF ARKANSAS WESTERN DIVISION

B&B HARDWARE, INC.	PLAINTIFF
VS.	Case No. 4:06-CV-01654 SWW
HARGIS INDUSTRIES, LP., d/b/a SEALTITE BUILDING FASTENERS, and d/b/a EAST TEXAS FASTENERS, A TEXAS CORPORATION, EAST TEXAS FASTENERS, A BUSINESS ENTITY OF FORM UNKNOWN AND DOES 1 THROUGH 10, INCLUSIVE	DEFENDANTS

DEFENDANT'S RESPONSE TO MOTION FOR JUDGMENT AS A MATTER OF LAW OR, IN THE ALTERNATIVE, MOTION FOR A NEW TRIAL

* * * * *

II. MOTION FOR A NEW TRIAL

A. The Court Did Not Err in Declining to Give Preclusive Effect to the TTAB Opinions, Including the Finding of Likelihood of Confusion, or in Its Decision Not to Admit the TTAB Opinions.

1. The Issue of Whether the TTAB Opinions Should be Given Preclusive Effect or Deference is Not

the Proper Subject of a Motion for New Trial

A new trial is appropriate when the first trial, through a verdict against the weight of the evidence, an excessive damage award, or legal errors at trial, resulted in a miscarriage of justice. *Gray v. Bicknell*, 86 F.3d 1472, 1480 (8th Cir. 1996) (internal citations omitted). In its motion for new trial, B&B argues that the Court should have given the TTAB opinions preclusive effect, or, alternatively, shown them deference. B&B's Brief, pp. 5-11. The Court's rulings on these issues do not serve as a proper ground for a new trial.

Fed. R. Civ. P. 59 confirms the trial court's historic power to grant a new trial based on its appraisal of the fairness of the trial and *the reliability of the jury's verdict*. *Gray v. Bicknell*, 86 F.3d at 1480. (emphasis added). By arguing that the TTAB opinions - in particular, the TTAB's finding of a likelihood of confusion - should be given preclusive effect, B&B is arguing that the issue of likelihood of confusion should not have been submitted to the jury; that the TTAB opinion on likelihood of confusion is controlling and dispositive as a matter of law. Indeed, B&B makes that explicit point. *See* B&B's Brief, p. 11 ("...the Court should find that a likelihood of confusion exists as a matter of law.").

A motion for new trial seeks a new trial before a new jury. Thus, a motion for new trial and the relief sought by B&B on the grounds noted above - that is, that an issue should be taken ***away*** from the jury - are, by definition, fundamentally inconsistent.

B&B's same preclusion argument was the subject of its motion for summary judgment. The motion was properly denied by the Court; but had it been granted, the case would not have proceeded to a jury (at least as to the issue of liability). Consequently, it is inconsistent and improper for B&B to now move the Court for a new trial before a new jury. Regardless, B&B's motion is without merit.

2. The Court Did Not Err in Declining to Give Preclusive Effect or Deference to the TTAB Opinions

> ...in collateral estoppel issue preclusion, the "issue" of likelihood of confusion determined in an opposition or cancellation may rest on a different evidentiary basis and therefore be a different "issue" than is being litigated in an infringement suit. Different issues in an infringement suit cannot be "decided" by a simplistic "gestalt" approach to claim and issue preclusion based on prior inter partes proceedings in the Patent and Trademark Office. Application of claim or issue preclusion requires a scalpel, not a sledgehammer.

6 J. Thomas McCarthy, McCarthy on Trademarks & Unfair Competition § 32:102 (4th ed. 2010) ("McCarthy").

Even if it were a proper basis for a new trial, the Court did not err in refusing to give preclusive effect to the TTAB opinions, including the TTAB's finding of likelihood of confusion in the

registration/opposition proceeding.[1] The Court properly exercised its exclusive jurisdiction to determine trademark use. B&B's argument, if followed, would have the effect of giving the TTAB authority to determine this civil action for trademark infringement and over Hargis' common law right to use its mark, elevating the TTAB beyond its jurisdictional powers. This argument is not supported by (1) Eighth Circuit precedent, (2) the TTAB,[2] or (3) the very TTAB opinion on which B&B seeks to overturn the jury verdict and judgment of this Court.

B&B's argument is simply a "cut and paste" of a portion of the same argument it advanced in its motion for summary judgment, which was properly denied by the Court. Since this issue was

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[1] Presumably, the TTAB "opinions" to which B&B refers include the initial office examination refusing Hargis' application to register its mark, the TTAB opinion reversing its earlier decision to cancel B&B's registration, and the opinion dated August 28, 2007 in TTAB Opposition No. 91155687. The initial office exam does not remotely approach an evidentiary proceeding or trial such as occurred in this Court, and the TTAB's decision to reverse the earlier cancellation of B&B's mark was based on its finding that Hargis had not timely pled descriptiveness of B&B's mark. While Hargis' argument addresses all three "opinions," its primary focus is on the August 28, 2007 opinion denying Hargis' registration on the basis of its finding of likelihood of confusion ("the TTAB opinion").

[2] The TTAB is an administrative tribunal of the U.S. Patent and Trademark Office, and its jurisdiction is limited to resolving disputes over trademark registration. *See* 15 U.S.C. § 1067, Lanham Act § 17; *Person's Co., Ltd. v. Christman*, 900 F.2d 1565, 1571 (Fed. Cir. 1990) ("The Board's function is to determine whether there is a right to secure or to maintain a registration.").

extensively briefed in the pre-trial motions, Hargis will limit this response to the specific arguments B&B advances in its motion for new trial.

a. The TTAB's finding of likelihood of confusion is not preclusive under Eighth Circuit precedent.

B&B argues that the Eighth Circuit has given preclusive effect to TTAB decisions, citing, as it did in its summary judgment motion, one opinion - *Flavor Corp. of Am. v. Kemin Indus., Inc.*, 493 F.2d 275 (8th Cir. 1974). The decision in *Flavor*, as B&B knows, was based upon an appeal to the Court of Customs and Patent Appeals ("CCPA") and whether the CCPA was a court of competent jurisdiction to bind the parties in a subsequent action. B&B, once again, argues an overly broad interpretation of the Eighth Circuit's opinion and in the process mischaracterizes both it and the district court's opinion.

In *Flavor*, the plaintiff, Flavor Corporation of America, sued the defendant, Kemin Industries, Inc., for trademark infringement and unfair competition in district court. *Flavor Corporation of America v. Kemin Industries, Inc.*, 358 F. Supp. 1114 (S.D. Iowa 1973). Prior to suing the defendant in district court, the plaintiff had filed an earlier administrative proceeding to cancel the registration of defendant's mark, which was granted by the TTAB. The defendant appealed that decision to the CCPA [now the Federal Circuit Court of Appeals], which found no error in its examination of the record and affirmed the decision of the TTAB. *Id.* at 278. The plaintiff then filed the trademark infringement

action in district court. *Id.* at 278. One issue for the district court to address was whether the earlier determination of likelihood of confusion in the cancellation proceedings would serve as collateral estoppel for the same issue in the subsequent trademark action. 358 F. Supp. at 1117.

A straightforward reading of the district court opinion leaves no doubt that the defendant's appeal to the CCPA, the district court's determination of the CCPA's status as an Article III Constitutional Court, and the CCPA's own participation in the determination of likelihood of confusion were each essential to the court's decision to apply collateral estoppel. *E.g.*:

- "Defendants contend the overwhelming weight of judicial authority holds a CCPA decision in a cancellation proceeding does not apply as a collateral estoppel in a subsequent trademark infringement suit. I cannot agree." *Id.* at 1117.

- "[I]n *Brenner v. Manson* (1965), 383 U.S. 519, 86 1033, 16 L.Ed.2d 69, involving the Supreme Court's right to review a CCPA decision by certiorari, the Court held the 1948 amendment to 28 U.S.C. § 1256 gave the CCPA the status of an Article III Constitutional Court, saying: 'Thus the decision sought to be reviewed is that of an Article III Court. It is "judicial" in character. It is not merely an instruction to the Commissioner *or part of the* "administrative machinery" of the Patent Office. It is final

and binding in the usual sense.'" *Id.* at 1117-18.

- "*Libbey-Owens-Ford Glass Co. v. Shatterproof Glass Corp.* (E.D. Mich., 1970), 165 USPQ 335, 336, reached the court in much the same manner as the instant case. Judge Levin, in a well supported opinion, reached the conclusion that 'issues and questions of fact which were *actually litigated and determined by the CCPA* are conclusive in this action.' I agree."). *Id.* at 1119 (emphasis added).

The principal issue on appeal from the district court to the Eighth Circuit was "whether a finding of the Court of Customs and Patent Appeals in a trademark cancellation proceeding operates as collateral estoppel in a subsequent trademark infringement action." 493 F.2d at 277. That determination, in turn, hinged upon whether the CCPA was a "*court of competent jurisdiction to bind the parties in a subsequent action.*" *Id.* at 279. (emphasis added). In answering that question, the Eighth Circuit, like the district court, reviewed the history of the CCPA:

> In *John Morrell & Co. v. Doyle*, 97 F.2d 232 (7th Cir.), cert. denied, 305 U.S. 643, 59 S. Ct. 146, 83 L. Ed. 415 (1930), the court held that CCPA determinations were not entitled to collateral estoppel effect in subsequent infringement actions because the CCPA was not an Article III court. When Morrell was decided in 1938, the CCPA was merely an administrative arm of the Patent Office. *Postum Cereal Co. v. California Fig Nut Co.*, 272 U.S. 693, 47 S. Ct. 284, 71 L.Ed.

> 478 (1927). Subsequently, however, in 1948, Congress enacted 28 U.S.C. § 1256, permitting certiorari review by the Supreme Court of decisions of the CCPA. In 1958, Congress made the CCPA an Article III court, 28 U.S.C. § 211. Finally, in *Brenner v. Manson*, 383 U.S. 519, 86 S. Ct. 1033, 16 L. Ed. 2d 619 (1967), the Supreme Court reviewed the status of the CCPA and declared their decisions 'final and binding in the usual sense. '383 U.S. at 526, 86 S. Ct. at 1037. Postum was declared to have 'no vitality in the present setting.' 383 U.S. at 527, 86 S. Ct. at 1038. The rationale for Morrell expired with Postum.

Id. at 280-81. (emphasis added). Recognizing the status of the CCPA as an Article III Constitutional Court, the Eighth Circuit wrote:

> We therefore hold that *where the CCPA* has found a likelihood of confusion between two similar marks in a cancellation proceeding, that fact is precluded from relitigation in a subsequent infringement action between the same parties under the doctrine of collateral estoppel.

Id. at 281. (emphasis added).

Language throughout the Eighth Circuit opinion in *Flavor* makes clear that the CCPA's determination of likelihood of confusion and its status as an Article III court were also essential to the Court's decision in affirming the lower court decision:

> The [district] court accepted a *prior determination by the Court of Customs and*

> *Patent Appeals* (CCPA) that the marks were so confusingly similar as to cause a likelihood of confusion....
>
> Judge Stuart [the district judge] held the doctrine of collateral estoppel was applicable to *those factual questions actually decided by the CCPA*, and hence Kemin was estopped from challenging *the CCPA's holding* that the marks were so confusingly similar as to cause a reasonable likelihood of confusion. 358 F. Supp. at 1121....
>
> The general principle announced in numerous cases is that a right, question or fact distinctly put in issue, and directly determined by a *court of competent jurisdiction*, as a ground of recovery, cannot be disputed in a subsequent suit between the same parties or their privies....
>
> The essence of collateral estoppel by judgment is that some question or fact in dispute has been judicially and finally determined by a *court of competent jurisdiction* between the same parties or their privies....
>
> The parties in this appeal are the same as those who appeared before the CCPA, it was *within the CCPA's jurisdiction* to determine whether PESTLUR and LURE were so similar as to create a likelihood of confusion and to refuse registration and the *CCPA judgment is final.*

Id. at 277, 278-79.

The absence of any reference to the TTAB in the Eighth Circuit's analysis of whether collateral estoppel would be applied in the subsequent

infringement action, based on the earlier finding of likelihood of confusion, is conspicuous and instructive. The extensive discussion and determination by both the district and appellate court that the CCPA was not simply an administrative body of the Patent Office but an Article III Constitutional Court plainly indicates that had the findings been made by the TTAB alone, absent an appeal to an Article III court, those findings would not have been preclusive in the subsequent infringement action. *See* 358 F. Supp. at 1117-18; 493 F.2d at 280-81. B&B ignores the courts' pronouncements in this critical aspect of each decision.

The Eighth Circuit's affirmance of the district court's decision to apply collateral estoppel in the subsequent infringement action was unmistakably dependent on the fact that the earlier finding of likelihood of confusion was actually made and affirmed by the CCPA, an Article III Constitutional Court. *Id.* at 278. *Flavor* thus is clearly distinguishable from the case at bar.

b. The other cases cited by B&B are of no consequence.

B&B asks the Court to apply ***offensive*** collateral estoppel. This is entirely different from the application of ***defensive*** collateral estoppel in *Jean Alexander Cosmetics, Inc. v. L'Oreal USA, Inc.*, 458 F.3d 244, 249 (3d Cir. 2006), *cert denied*, 127 S. Ct. 1878 (2007), cited by B&B in support of its preclusion argument. The Third Circuit specifically discussed the distinction between offensive collateral estoppel and defensive collateral estoppel and the

policy concerns unique to offensive collateral estoppel. *Id.* at 278-279. This distinction was briefed extensively in the summary judgment papers, and Hargis will spare the Court a regurgitation of that discussion in its entirety.[3] Regardless, there is no Eighth Circuit precedent to support the application of either form of collateral estoppel absent a judicial and final determination by a "court of competent jurisdiction." *See Flavor*, 493 F.2d at 279.

The other case cited by B&B, in a footnote, is *EZ Loader Boat Trailers, Inc. v. Cox Trailers, Inc.*, 746 F.2d 375 (7th Cir. 1984). Like *Flavor*, *EZ Loader* involved subsequent judicial review by what had then become the Federal Circuit Court of Appeals. The Seventh Circuit specifically noted that "EZ sought and obtained judicial review of the Board's conclusions." *Id.* at 378. *EZ Loader* also involved the application of defensive collateral estoppel. Even were *Jean Alexander* and *EZ Loader* applicable, the larger number of cases and circuits have expressly rejected giving the TTAB preclusive or persuasive effect. *See* 6 McCarthy § 32:98.

B&B argues that even if the Court "is not inclined" to give the TTAB findings preclusive effect, it should defer to such decisions unless the contrary is established by evidence that, in character and

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[3] In *Jean Alexander*, plaintiff Jean Alexander alleged likelihood of confusion in district court after successfully ***denying*** that confusion was likely when defendant L'Oreal attempted to cancel Jean Alexander's trademark registration before the TTAB. It was not unreasonable for the court to apply ***defensive*** collateral estoppel in favor of L'Oreal on the facts of that case.

amount, carries "'through with conviction.'" B&B's Brief, p. 9. B&B cites *Noah's, Inc. v. Nark, Inc.*, 560 F. Supp. 1253, 1258 (E.D. Mo. 1983), aff'd, 728 F.2d 410 (8th Cir. 1984). Noah's was a *de novo* proceeding in district court initiated by the defendant in a TTAB decision pursuant to 15 U.S.C. § 1071(b), Lanham Act § 21 ("Appeal to Courts"). *Id.* at 1255. Although a trial *de novo*, the court stated in *Noah's* that courts hearing appeals of TTAB rulings under Lanham Act § 21 accept TTAB decisions as controlling on issues of fact "unless the contrary is established by testimony which in character and amount carries through conviction." *Id.* The issue before the district court was whether the plaintiff had abandoned its right to obtain nationwide protection for its mark as a result of its inactivity or failure to expand over a reasonable period of time. *Id.* at 1258. The court held a bench trial, made findings of fact and conclusions of law and determined that the plaintiff had relinquished its right as a prior user to a federally unrestricted trademark. *Id.* at 1260. It has little application to the case at hand, which obviously is not an appeal of a TTAB decision under Lanham Act § 21.

However, even if the Court chose to follow the "thorough conviction" standard enunciated by *Noah's*, the evidence introduced at the trial of this case, in character and amount, established the contrary of the TTAB finding of likelihood of confusion with thorough conviction. The evidence presented was markedly greater in volume, depth and detail, and the jury heard and examined an extensive amount of evidence that the TTAB did not.

In short, it is difficult to envision a case that could serve as a better model of this standard if applied.

United States v. Utah Constr. Co., 384 U.S. 394 (1966), cited by B&B, was an appeal from a decision of the Advisory Board of Contract Appeals whose findings the Wunderlich Act of 1954 gives 'final and conclusive effect.' *See* 41 U.S.C. § 321. It has nothing to do with the TTAB or a suit for trademark infringement under the Lanham Act.

Lastly, *Morgan v. Daniels*, 153 U.S. 120 (1894), cited by B&B as giving rise to the "thorough conviction" rule, involved the question of which party to the action was the original inventor and was handed down a half century before the Lanham Act was passed. It has no application here.

3. The Court Did Not Err in Declining to Admit the TTAB Opinion

The Court did not err in not admitting the TTAB opinion into evidence. To have done so would have been highly confusing and misleading to the jury and prejudicial to Hargis and B&B. For example, the TTAB, in its opinion, specifically noted that B&B, by virtue of the judgment in *Hargis I*, was not in a position to enjoin Hargis' use of its mark. Had the Court admitted the TTAB's opinion, the injection of this statement into the trial would have been highly prejudicial to B&B—not to mention confusing to the jury.

Both the TTAB and the Eighth Circuit use a multi-factor test in the likelihood of confusion analysis, but not all of the factors are the same and in a

registration proceeding, the TTAB applies its factors and analyzes the evidence in a manner significantly different than the jury was required to do in this infringement action.

As one example, the TTAB did not address or consider in the opposition proceeding the strength or weakness of B&B's mark. The strength of the plaintiffs mark is one of the elements for the jury to consider in a likelihood of confusion analysis in the Eighth Circuit. *Kemp v. Bumble Bee Seafoods, Inc.*, 398 F.3d 1049, 1053 (8th Cir. 2005). Indeed, the TTAB held that by virtue of the judgment in *Hargis I*, the Sealtight mark was a merely descriptive, weak mark, and B&B was barred from asserting that "Sealtight" was inherently distinctive or had acquired secondary meaning. However, it proceeded with the likelihood of confusion analysis on the basis of the fact that B&B owns a registration, ***not on its common law rights***.

In a TTAB proceeding, a registrant can rely solely on the ownership of its registration to block another party's registration. In a Court action, the plaintiff cannot simply stand on its registration to determine the defendant's right to use a mark. Even with an incontestable registration, factual consideration is given to the strength of the mark. Incontestable status has no bearing on a trademark's strength. *B&B Hardware, Inc. v. Hargis Industries, Inc.*, 2007 WL 2711647 (E.D. Ark. Sept. 13, 2007), at *10 (citing *Munters Corp. v. Matsui America, Inc.*, 909 F.2d 250, 252 (7th Cir. 1990)). Incontestability alone does not confer strength on a trademark. *Id.* at *10 (citing

Oreck Corp. v. U.S. Floor Sys., Inc., 803 F.2d 166, 171 (5th Cir. 1986)).

In the opposition proceeding, the TTAB used certain of the factors set forth in *E.I. du Pont de Nemours & Co.*, 476 F.2d 1357, 177 USPQ 563, 567 (C.C.P.A. 1973) in its analysis, including: (1) fame of the opposer's mark; (2) similarity or dissimilarity of the marks; (3) similarity or dissimilarity and nature of goods; (4) similarity or dissimilarity of likely-to-continue channels of trade; (5) degree of consumer care; and (6) instances of actual confusion. TTAB Opinion, pp. 16-29. In the trademark action tried in this Court, the jury, in determining B&B's claim of likelihood of confusion, was instructed on the multi-factor test set forth in *Squirtco v. Seven-Up Co.*, 628 F.2d 1086 (8th Cir. 1980) and *Kemp v. Bumble Bee Seafoods, Inc.*, supra: (1) The strength of B&B's mark; (2) The similarity between the marks; (3) the degree to which the marks are in competition with one another; (4) Hargis' intent to pass off its goods as those of B&B; (5) incidents of actual confusion as to the source of the parties' fastener's products; and (6) the degree of care likely to be exercised by customers or potential customers.

Each circuit applies its own articulation of the factors for determining a likelihood of confusion in trademark cases. 4 McCarthy § 23:19. While there is some overlap between the *DuPont* and Eighth Circuit tests, there are clear differences. As previously noted, the TTAB did not consider the strength of B&B's mark. It also did not consider the "intent" factor required in the *Squirtco* analysis,

among other variations. Additionally, the jury, under Eighth Circuit authority, is allowed to draw on their common experience and the general knowledge they acquired through their lifetime. Trying to weigh the evidence at trial and, at the same time, consider and make sense of the TTAB opinion would have been extremely confusing and difficult for the jury, regardless of the amount of explanation given as to the differences between a registration proceeding and an infringement action.

For the TTAB, the most critical factors in the analysis are the similarities of the marks and the goods. In an infringement action like this one, no one factor controls because the inquiry is inherently case specific. *Kemp*, 398 F.3d at 1054 (citing *Squirtco*, 628 F.2d at 1091). Along those lines, the Court admitted into evidence at trial, and allowed B&B's counsel to argue, the TTAB's decision to deny Hargis' application for registration and that such decision was based on the similarity of the marks and the goods. In this respect, B&B had the "best of both worlds." Had the jury seen the full opinion, it would have noted not only the TTAB's statement regarding B&B's inability to prohibit Hargis from using its mark, but also the TTAB's comments regarding the implausibility of some of Mr. Bogatz's testimony and its belief that he tailored his testimony in another instance to fit his opposition position. The jury would have also seen that certain TTAB findings were in opposition to their ultimate finding of likelihood of confusion, and at least one "factor" was neutral because, in the TTAB's opinion, it was not adequately developed. As it was, B&B got the benefit of informing the jury that another body

denied Hargis' registration and the factors in the opinion that favored B&B, without having to disclose those aspects of the opinion which were adverse and harmful to B&B.

Lastly and probably of greatest significance, the TTAB resolved all doubts in favor of B&B over Hargis: "To the extent that any doubts might exist as to the correctness of our likelihood of confusion analysis, especially considering the prior determination that opposer's mark is merely descriptive and has not acquired secondary meaning, we resolve such doubts against applicant." TTAB Opinion, p. 33. B&B was entitled to no such presumption or preferential treatment in this action, where it had the legal burden to prove its case by a preponderance of the evidence. *Kemp*, 398 F.3d at 1053-54. Importing the TTAB's lower standard into the case at bar would have been inescapably confusing to the jury and, in effect, would have alleviated B&B of its legal burden of proof as plaintiff.

For all of the reasons noted, the Court did not err in declining to admit the TTAB opinions.

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IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF ARKANSAS
WESTERN DIVISION

B&B HARDWARE, INC.	*	
PLAINTIFF,	*	No. 4:06-CV-01654
	*	SWW
VS.		
	*	
HARGIS INDUSTRIES,	*	
INC., d/b/a SEALTITE	*	
BUILDING	*	
FASTENERS, ET AL.,	*	
	*	
	*	
DEFENDANTS	*	

MEMORANDUM AND ORDER

Before the Court is the motion of Hargis Industries, Inc. ("Hargis") for attorney's fees to which B&B Hardware, Inc. ("B&B") responded. Hargis filed a reply to the response. For the reasons stated below, the Court finds the motion should be granted but withholds determination of the amount of fees to be awarded.

Background

B&B first brought a Lanham Act trademark infringement claim against Hargis in 1998 alleging Hargis' use of the mark "Sealtite" infringed B&B's

registered mark, "Sealtight." The case proceeded to trial and ended in a less-than-unanimous jury verdict in favor of Hargis. The judgment was affirmed on appeal. B&B brought suit against Hargis again in December 2006, alleging trademark infringement over Hargis' use of the "Sealtite" mark. Hargis counterclaimed, asserting *inter alia* claims of false advertising and false designation of origin, alleging B&B used photographs of Hargis's products and size and weight charts from Hargis' website on B&B's new website. A jury returned verdicts in favor of Hargis and against B&B. The Court denied B&B's motion for judgment as a matter of law, or in the alternative, for a new trial.

Discussion

The Lanham Act gives the Court discretion to award reasonable attorney's fees to a prevailing party in "exceptional cases." 15 U.S.C. §1117(a). An exceptional case is one in which the action was "groundless, unreasonable, vexatious, or pursued in bad faith," or in which a party's conduct "went beyond the pale of acceptable conduct." *Scott Fetzer Co. v. Williamson*, 101 F.3d 549, 555 (8th Cir. 1996); *Aromatique, Inc. v. Gold Seal, Inc.*, 28 F.3d 863, 877 (8th Cir. 1994). Hargis argues that B&B knew it had a weak case and engaged in a deliberate effort to manufacture evidence of trademark infringement and likelihood of confusion. Hargis asserts that B&B's deceitful actions were aimed at creating the false appearance of being in the construction fastener business and therefore in competition with Hargis and creating the false appearance of entering into the construction fastener market in an effort to

prevail on a reverse confusion theory if the forward confusion theory failed.

Hargis asserts that the evidence showed, and the jury found, that B&B copied both photos of fasteners and size/weight charts from Hargis' website at sealtite.com and displayed them on a new website at sealtightcf.com to portray a purported new line of construction fasteners allegedly being offered by B&B, the same kind of construction fasteners sold by Hargis. Hargis argues that despite overwhelming evidence that B&B did so, co-owners Larry and Diana Bogatz maintained both in their trial and deposition testimony that B&B copied neither the construction fastener images nor any of the other materials from Hargis' website. Furthermore, in his deposition, Larry Bogatz said that the fasteners depicted in the B&B website constituted fasteners which were designed by him and his wife, Diana, manufactured in accordance with those designs, and then returned to the B&B premises where they were photographed for inclusion in the website by an employee, Ezequiel Rosales.

In direct conflict with this sworn testimony, the sheet of photos produced in discovery by B&B as the photos taken by Rosales, and introduced at trial, show that those photos could not possibly have depicted all of the individual fasteners described on the sealtightcf.com website. In addition, Rosales testified that Larry Bogatz never mentioned anything to him about the photos being intended for inclusion in any website. Visual evidence and expert testimony at trial showed that the fastener images in question were, in large part, copied or "lifted"

directly from the fasteners depicted on Hargis' website. Hargis personnel and its website designer, Steve Henderson, testified the fasteners shown on the B&B website were designed by Hargis personnel and photographed by Henderson for inclusion on Hargis' sealtite.com website.

Although email correspondence between Larry Bogatz and B&B's offshore web designer, Sanjiv, introduced at trial demonstrate that Larry Bogatz was intimately involved in the preparation, design, and substance of the B&B website, and that he reviewed and suggested significant, substantive changes to it immediately before and after it went online, Larry Bogatz testified at trial that he did not pay close enough attention to the photos on the website to ascertain from where they came. Throughout his testimony, Larry Bogatz maintained he had no idea where the photos came from despite overwhelming visual evidence and expert testimony that they were the same photos of fasteners (or composite manipulations with respect to some) displayed on Hargis' website. Despite his testimonial admission that it was B&B and not Sanjiv who created the size and weight charts for the sealtightcf.com website, and despite the fact that a typo appearing on a size/weight chart on Hargis' website also appears on the exact same corresponding chart and line item on the B&B sealtightcf.com site, Larry Bogatz testified at trial that B&B did not copy any size and weight charts from Hargis' site. He gave no plausible explanation at trial as to how the same typo could have occurred absent copying by B&B.

In addition, Hargis asserts that according to uncontroverted testimony at trial, the specimens B&B produced at trial as samples of its purported new construction fastener line could have been obtained easily either at a retail home improvement store or as free samples at a fastener trade show. B&B introduced no evidence that it ever submitted any design drawings to a manufacturer for the actual manufacturing of a construction fastener.

Hargis points out that B&B placed metatags/keywords on the B&B sealtightcf.com website posted online in February approximately four before trial, using Hargis' trademark, "sealtite," and phrases containing that term or variations thereof, in an attempt to cause customers who might be searching for Hargis fasteners via search engines to obtain a high-relevance "hit" on the B&B sealtightcf.com site. Also, B&B registered multiple domain names with "sealtite" in the address in an attempt to divert parties searching for Hargis' site to the contrived B&B construction fastener site.

There was evidence that Larry Bogatz instructed Victor Solano, a B&B employee, to call multiple existing customers of Hargis, identify himself over the telephone as an employee of "Sealtite" or "Sealtight" (phonetically the same), and request "updated" information from Hargis customers, an apparent attempt, according to Hargis, to manufacture confusion as well as to manufacture evidence to support a reverse-confusion theory.

B&B created a document titled a "Common Customer List" with scores of companies listed as customers of both Hargis and B&B, despite Larry

Bogatz's eventual admission that the only criteria for a company being considered a customer of B&B was that at some point, B&B had allegedly made contact with the company. Further, with respect to most of the companies listed, B&B could not provide any information to the jury as to the date of any contact, the nature of the contact, or the identity of any person from B&B or the alleged customer with whom contact was made, much less any information as to a single sale or even a request for a quote. B&B later introduced a second document which contained only three or four companies to which B&B alleged that both B&B and Hargis had actually made sales. Only three companies reflected any actual sales by B&B. One company reflected approximately $1,0000.00 in sales by B&B; another less than $400, and the other was Fastenal, to which Hargis' sales have been on average roughly 2/10ths of one percent. B&B presented no evidence of any confusion as to the sources of the goods with respect to either company.

B&B created and introduced into evidence purported design drawings of "construction fasteners" ostensibly for the alleged new line of B&B construction fasteners which, according to the uncontroverted testimony of Hargis designer Tom Hulsey, were machine thread screws, not self-tapping construction fasteners, and so technically flawed that a manufacturer could not possibly manufacture a construction fastener from them. The evidence also showed that B&B created a bogus "business plan" for the supposed new line of construction fasteners which contained no in-depth market analysis, no projected return-on-investment analysis, no cash flow analysis, or any other *pro*

forma financial analysis which would provide any reasonable basis for a prospective lender to evaluate the risk of the proposed venture.

Mr. Bogatz testified that B&B did not "really focus on" going into the construction fastener business until "about two years ago." This, Hargis argues, would have been some two years after the second trademark suit was filed and entirely inconsistent with the evidence introduced at trial of e-mails between Larry Bogatz and Sanjiv demonstrating unequivocally that B&B's first effort at creating a website for this new construction fastener line was in January 2010, roughly five months before trial.

Hargis also points out that Larry Bogatz testified that Hargis was the sole cause of B&B's alleged loss in sales revenue despite the fact that Bogatz knew B&B had as recently as one month before trial filed a lawsuit against Fastenal, a distributor, seeking hundreds of millions of dollars in damages for lost sales revenue due to Fastenal's alleged breach of contract.

B&B argues in response that it was entirely justified in believing it had a viable trademark infringement case and relied on rulings by the Trademark Trial and Appeal Board ("TTAB") that there was a likelihood of confusion between the two marks and the opinion of its trademark expert that he had never seen such an overwhelming amount of evidence of actual confusion. Thus, B&B asserts its case was not groundless, unreasonable, vexatious, or pursued in bad faith. B&B further disputes that it engaged in a campaign of fraud and deceit in order to prevail in its case.

B&B states that even though the jury believed Hargis' allegations that B&B copied Hargis photographs and size/weight charts from Hargis' website "to some extent," the Court should consider that B&B voluntarily produced a copy of the website to Hargis in discovery, that the site was up for no more than six weeks, and that it made no sales as a result of any use of Hargis' photographs. B&B complains Hargis made a number of speculative allegations immediately before trial, during the trial, and in its motion for fees. For example, Hargis speculated that there was no Sanjiv and referred to B&B's business plan as "bogus." B&B asserts evidence presented at trial show that it obtained samples of its new construction fasteners from potential manufacturers, and Larry Bogatz testified that because B&B owns the federal trademark for "Sealtight," he believed B&B was able to use variations on the spelling, like "sealtite," on some metatags and keywords on its website. B&B argues that although it registered domain names that had "sealtite" in its address, there was evidence that Hargis also had registered a domain name that had "sealtight" in its address.

B&B claims the list given to Solano for making phone calls contained many other potential customers in addition to customers of Hargis and that this in no way was an attempt to manufacture confusion. B&B claims that the "Common Customer List" introduced at trial was actually a document created by B&B's attorneys that was provided to B&B in order for B&B to determine what sales had been made to those companies so B&B could produce an accurate list of common customers. B&B says it

never contended that the larger list constituted common customers. It also asserts that the design drawings referenced by Hargis were not for machine thread screws but for self-tapping construction fasteners, and that it has many design drawings that contained similar specifications and never had any difficulty getting appropriate fasteners manufactured therefrom. B&B asserts it spent a large amount of time developing its business plan two or three years prior to the trial. Further, B&B argues it spent a substantial amount of time working on design drawings for its new construction fasteners as well as contacting potential manufacturers in the two or three years leading up to trial, and that it makes perfect sense for the design of the website to be one of the last things for B&B to do before launching its new line. Finally, B&B disputes that Larry Bogatz testified that Hargis was the sole cause of B&B's alleged loss in sales revenue, and claims any breach of contract by Fastenal should not have affected existing sales.

In reply, Hargis points out that at the time B&B filed its second lawsuit, the TTAB had not issued the ruling relied on in its response, and that B&B's expert was not called as a witness and therefore his opinion was not subjected to cross-examination. Hargis argues this is an exceptional case not just because B&B's claims were without merit but because the evidence supports its assertions that B&B fraudulently manufactured evidence and engaged in other behavior during the course of the litigation that went "beyond the pale of acceptable conduct."

A number of courts have determined a case to be "exceptional" because of a party's attempt to confuse the public by use of the internet. In *Venture Tape Corp. v. McGills Glass Warehouse,* 540 F.3d 56 (1st Cir. 2008), the First Circuit upheld the district court's award of attorney's fees to the plaintiff where the defendant had included plaintiffs marks as metatags on defendant's website, for the purpose of diverting those looking for plaintiff's products to defendant's site. The court held that the district court did not err in finding that the defendant's infringement was willful and, therefore, did not abuse its discretion in determining that it was an "exceptional case" where an award of attorney's fees was appropriate.

In *KivaKitchen & Bath, Inc. v. CapitalDistrib. Inc.*, 319 Fed. Appx. 316 (5th Cir. 2009), the Fifth Circuit upheld an award of attorney's fees where the defendant had registered internet domain names that incorporated eight trade names of plaintiff. *Id.* at 318 n.1. With regard to the award of attorney's fees, the jury determined, and the district court agreed, that the case was "exceptional," in light of defendant's bad faith intent to divert potential plaintiff's customers to defendant's website. *Id.* at 321. In *Victoria's Cyber Secret Limited Partnership v. Secret Catalogue, Inc.*, 161 F.Supp.2d 1339 (S.D. Fla. 2001), the court awarded attorney's fees to Victoria's Secret where the other party, a company engaged in the operation of adult websites, had registered four domain names similar to the mark of Victoria's Secret. The court concluded that the company acted in bad faith and that an award of attorney's fees was justified. *Id.* at 1352, 1356. The

court stated that "the evidence and totality of circumstances are clear that VCS operated with bad faith intent to profit from VICTORIA'S SECRET mark." *Id* at 1352.

In *HER, Inc. v. RE/MAX First Choice, LLC*, 2009 WL 4730710 (S.D. Ohio Dec. 10, 2009), the court awarded fees upon a finding that the defendant registered certain domain names associated with plaintiff and its owners for the purpose of diverting internet users to the defendant's site. *Id.* at *3.

In *GTFM, Inc. v. Solid Clothing, Inc.*, 215 F.Supp.2d 273 (S.D.N.Y. 2002), the court awarded fees where it found that the defendant had deliberately copied plaintiff's clothing products and committed perjury in deposition testimony regarding its copying of the products.

Regarding the perjurious testimony, the court stated:

> At trial, [defendants'] principals denied that they had ever copied GTFM's garments and asserted that they had come up with the ideas for their own garments without referring to GTFM's garments . . . [F]or reasons described below, a comparison of the defendant's . . . jerseys with the plaintiffs' . . . jerseys shows that the defendant copied the plaintiffs' designs with meticulous attention to detail.

Id. at 297, n.7. Also, in *Polo Fashions, Inc. v. Magic Trimmings, Inc.*, 603. 13 (S.D. Fla. 1984), the court awarded fees where it found that the defendant intentionally copied the plaintiff's mark and denied doing so under oath.

Courts have also ruled that a willful infringement of a mark or willful copying of a product is sufficient to constitute an "exceptional case" justifying the award of attorney's fees. In *Horphag Research Ltd. v. Garcia*, 475 F.3d 1029 (9th Cir. 2007), the Ninth Circuit upheld the award of fees to a plaintiff where the defendant, who marketed an herbal supplement competitive with that of plaintiffs, took action to deliberately confuse the public into thinking that his product was that of plaintiff's. On his website promoting his product, defendant used "Pycnogenol," the trademark name for plaintiff's product, as a generic term for the French maritime pine tree supplements of the nature being sold by the two companies. Additionally, defendant attributed the results of research on plaintiffs product to that of defendant's, and altered quotations from scientific literature discussing plaintiff's product to make them appear as if they referred to defendant's product. *Id.* at 1033-34. In upholding the district court's award of attorney's fees, the court said: "[Defendant] made deliberate and calculated attempts to confuse [his] product with [Plaintiffs] Pycnogenol by altering quotations from research publications that refer exclusively to [plaintiffs] product. Accordingly, the district court did not abuse its discretion when it reinstated the award of attorney's fees to [plaintiff]." *Id.* at 1039.

Where a party's conduct is "willful and deliberate, the trial court may well determine that this is the type of 'exceptional case' for which an award of attorney's fees is appropriate." *West Des Moines State Bank v. Hawkeye Bancorporation*, 722 F.2d 411, 414-15 (8th Cir. 1983)(quoting *Metric & Multistandard*

Components Corp. v. Metric's, Inc., 635 F.2d 710, 716 (8th Cir. 1980). Here, the jury expressly found that B&B copied Hargis' fastener photos and size/weight charts and posted them on its website as its own, thus causing Hargis to prevail on its cross-complaint for false advertising and false designation of origin. The Court finds B&B's conduct focusing on the creation of a new website as well as its contacting Hargis customers, using metatags and purchasing domain sites using the term "sealtite" or phrases containing that term, introducing bogus design drawings into evidence of purported construction fasteners, and other conduct previously discussed, was a willful and deliberate attempt to manufacture evidence to support its trademark infringement claim. The Court finds this is an exceptional case in which the award of fees is justified. The evidence is overwhelming that B&B engaged in efforts to manufacture the appearance of confusion, and began to formulate a theory of "reverse confusion," a position fundamentally inconsistent with B&B's longstanding theory of forward confusion.

Before the Court can determine whether the amount of fees requested is reasonable, Hargis must submit within fourteen (14) days from the date of entry of this Order an itemized statement of time spent and costs incurred, redacting any privileged information. B&B will be allowed seven (7) days to respond to the statement.

Conclusion

IT IS THEREFORE ORDERED that defendant's motion for attorney's fees [docket entry 211] is granted in part. Hargis is directed to submit an

itemized statement of time spent and costs incurred within fourteen (14) days from the date of entry of this Order.

DATED this 10th day of November, 2010.

/s/Susan Webber Wright
UNITED STATES DISTRICT JUDGE

PETITIONER'S BRIEF

No. 13-352

IN THE

Supreme Court of the United States

B&B HARDWARE, INC.,

Petitioner,

v.

HARGIS INDUSTRIES, INC.,
D/B/A SEALTITE BUILDING FASTENERS,
D/B/A EAST TEXAS FASTENERS, ET AL.,

Respondents.

On Writ of Certiorari
to the United States Court of Appeals
for the Eighth Circuit

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QUESTION PRESENTED

Under the Trademark Act of 1946 (Lanham Act), a person generally may neither use nor register a mark that would be "likely to cause confusion" with an existing mark. If a person uses a mark that "is likely to cause confusion" with an existing registered mark, the owner of the registered mark may sue in federal court for trademark infringement. 15 U.S.C. § 1114(1). If a person seeks to register a mark that is "likely . . . to cause confusion" with an existing registered mark, the owner of the existing registered mark may oppose the registration of the new mark before the Trademark Trial and Appeal Board (Board). 15 U.S.C. § 1052(d); *see id.* §§ 1063, 1067(a).

In this case, petitioner B&B Hardware, Inc. (B&B), manufactures sealing fasteners and owns the registered mark "SEALTIGHT." Respondent Hargis Industries, Inc. (Hargis), also manufactures sealing fasteners; it used and sought to register the mark "SEALTITE." The Board held that Hargis's mark created a likelihood of confusion with B&B's mark.

The questions presented are as follows:

1. Whether the Board's finding of a likelihood of confusion precludes Hargis from relitigating that issue in infringement litigation, in which likelihood of confusion is an element.

2. Whether, if issue preclusion does not apply, the district court was obliged to defer to the Board's finding of a likelihood of confusion absent strong evidence to rebut it.

PARTIES TO THE PROCEEDING

In addition to the parties named in the caption, "East Texas Fasteners" and John Does 1-10 were named as defendants in the district court and listed as appellees in the court of appeals. Only Hargis Industries, Inc., appeared as a party.

RULE 29.6 STATEMENT

Petitioner has no parent corporation, and no publicly held company owns 10% or more of its stock.

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BRIEF FOR PETITIONER

Liability in this case turns on whether consumers would be confused by the similarity of the marks "SEALTIGHT" and "SEALTITE" (owned, respectively, by petitioner B&B Hardware and respondent Hargis Industries). The Lanham Act asks whether SEALTITE, when used by Hargis to sell construction fasteners, would be "likely . . . to cause confusion" with SEALTIGHT, which B&B uses to sell aerospace fasteners. After a lengthy adversarial proceeding, the Trademark Trial and Appeal Board (Board or TTAB) answered "yes"—confusion is likely. The marks are almost identical, the Board held, and while the parties' fasteners are somewhat different, the evidence about the marketplace convinced the Board that the differences do not dispel the confusion. Hargis did not appeal.

The question before this Court is whether Hargis may relitigate that same question—likelihood of confusion—in district court. Under the law of judgments, the answer is no: Hargis had its chance before the Board. But the courts below refused to apply preclusion—and then disagreed with the Board on the merits, finding *no* likelihood of confusion.

The Eighth Circuit insisted that the Board and the district court considered different questions, because the Eighth Circuit thought the Board's answer would not pass muster under circuit precedent. But disagreement is never a basis for ignoring a valid judgment. Nor did the judgment need to conform with Eighth Circuit standards anyway: under the *statute*, "likely to cause confusion" means the same thing before the Board as it does before a district court.

The parties litigated the identical dispute to completion before the Board. The lower courts erred in allowing respondent a do-over.

OPINIONS BELOW

The decision of the court of appeals (Pet. App. 1a-20a) is reported at 716 F.3d 1020. The decision of the district court denying petitioner's post-verdict motions (Pet. App. 21a-38a) is reported at 736 F. Supp. 2d 1212. A prior decision of the court of appeals in this case is reported at 569 F.3d 383.

JURISDICTION

The judgment of the court of appeals was entered on May 1, 2013. A petition for rehearing was denied on June 20, 2013 (Pet. App. 39a-40a). The petition for a writ of certiorari was filed on September 18, 2013, and granted on July 1, 2014. The jurisdiction of this Court rests on 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

Pertinent provisions of the Trademark Act of 1946 (Lanham Act) are reprinted in the Appendix, *infra*, at 1a-15a.

STATEMENT

A. Under The Lanham Act, Likelihood Of Confusion Is Litigated In Both Registration Proceedings And Infringement Proceedings.

This case concerns two of the ways in which the "likelihood of confusion" between two trademarks may be litigated under the Lanham Act. Those two

paths involve different procedures and different decisionmakers, but the same statutory question, expressed in the same statutory language: is one party's mark "likely . . . to cause confusion" with the other party's mark, when the marks are used in connection with particular goods?

1. a. The first way in which federal trademark law considers likelihood of confusion is in granting or denying registration. Registering a trademark with the Patent and Trademark Office (PTO) confers certain legal benefits.[1] But no trademark can be registered if it would create confusion with an existing mark. The statute provides that the PTO may not register an applicant's trademark if it "[c]onsists of or comprises a mark which so resembles a mark registered in the [PTO], or a mark or trade name previously used in the United States by another and not abandoned, as to be *likely*, when used on or in connection with the goods of the applicant, *to cause confusion*, or to cause mistake, or to deceive." 15 U.S.C. § 1052(d) (emphasis added).

When an applicant seeks to register a trademark, the PTO first examines the mark for compliance with the statutory requirements. If the PTO determines that the mark appears to be entitled to registration, the PTO will publish the mark in its Official Gazette to solicit opposition. *See id.* § 1062; 37 C.F.R. §§ 2.80, 2.101(c). At that time, the owner of a competing mark (or some other person with standing) may initiate an "opposition" proceeding within the PTO and raise the likelihood of confusion as a reason for denying registration. 15 U.S.C. § 1063.

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[1] *See, e.g.*, 15 U.S.C. § 1115 (registration creates presumption that the registrant has the exclusive right to use the mark).

If the registration is granted without opposition, an objection may still be raised in a "cancellation" proceeding within the PTO. After five years, a mark's registration becomes "incontestable." After that time, it is too late to raise some grounds for cancellation—including likelihood of confusion. *See id.* § 1064.

b. Opposition and cancellation proceedings take place before the Trademark Trial and Appeal Board (Board or TTAB). That body consists primarily of administrative trademark judges—specialist adjudicators appointed by the Secretary of Commerce—as well as certain high-ranking officials of the PTO. *See* 15 U.S.C. § 1067(b). Opposition and cancellation proceedings are known as "*inter partes*" proceedings ("between parties," as opposed to the PTO's *ex parte* examination of an application).[2] *Inter partes* proceedings are generally resolved by a three-judge panel of the TTAB.

"An inter partes proceeding before the Board is similar to a civil action in a federal district court." *TTAB Manual of Procedure* § 102.03, at 100-12. In an opposition proceeding, the opposer is the plaintiff. 37 C.F.R. § 2.116(b). The plaintiff bears the burden of proof; if the opposition is not sustained, the registration must issue. 15 U.S.C. § 1063(b).

The proceedings are governed by the Federal Rules of Civil Procedure and the Federal Rules of Evidence, with limited exceptions set out in the Board's rules. *See* 37 C.F.R. §§ 2.116(a), 2.122(a). As in district court, the parties may take written discovery and

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[2] If the PTO examiner rejects an application for registration, the applicant can appeal *ex parte* to the Board.

depositions. Each side then is given a specified time period to present its case-in-chief for trial, primarily by taking "testimony depositions." *Id.* §§ 2.121, 2.123. The parties may also rely on testimony from other proceedings between the same parties. *Id.* § 2.122(f). Once testimony is complete, the parties may appear before the Board to orally argue their case. *Id.* § 2.129.

Decisions of the Board may be reviewed in either of two ways. A losing party may appeal directly to the Federal Circuit, or may instead file an action in a federal district court for review of the Board's decision. *See* 15 U.S.C. §1071.

Federal district courts also hear direct challenges to trademark registrations under certain circumstances. A court that is already hearing an infringement action may also entertain a claim or counterclaim seeking to cancel or modify a registration. *See* 15 U.S.C. § 1119.

2. Parties may also litigate "likelihood of confusion" directly in district court. The Lanham Act creates a civil cause of action that allows the owner of a registered mark to enforce its rights against any infringement that would create a likelihood of confusion.[3] The statute provides for civil liability for "us[ing] in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in

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[3] Owners of unregistered marks sue under a different provision, 15 U.S.C. § 1125(a)(1)(A), which also turns on whether the defendant's use "is likely to cause confusion, or to cause mistake, or to deceive."

connection with which such use is *likely to cause confusion*, or to cause mistake, or to deceive." 15 U.S.C. § 1114(1) (emphasis added).

B. The Board Rules That Hargis's Mark Creates A Likelihood Of Confusion With B&B's Mark.

Since 2006, when the opposition proceeding began, the crucial issue between the parties has been whether Hargis's mark SEALTITE, used with Hargis's fasteners, creates a likelihood of confusion with B&B's mark SEALTIGHT, used with B&B's fasteners. The Board was the first tribunal to answer that question, and its answer was yes: after extensive examination of the marks, the goods, and the marketplace for fasteners, the Board found a likelihood of confusion. Pet. App. 41a-71a.

1. B&B and Hargis[4] are both in the fastener business. B&B's signature product is a self-sealing fastener, sold under the name "SEALTIGHT," which is designed to seal any hole using a metal screw and a rubber washer. In 1990, B&B applied to register the mark "SEALTIGHT" for use on its fasteners. *See* Pet. App. 42a. The registration issued in 1993. JA223a. The registration recites that the mark is for use on "threaded or unthreaded metal fasteners and other related hardware; namely, self-sealing nuts, bolts, screws, rivets and washers, all having a captive O-ring, for use in the aerospace industry." *Id.*

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[4] Hargis does business as Sealtite Building Fasteners, which has no separate corporate existence but is named as a party in some pleadings.

In 1996, Hargis applied to register the mark "SEALTITE." JA70a-75a. The application specified that the mark was for use "on or in connection with" a particular kind of sealing fastener: "self-piercing and self-drilling metal screws for use in the manufacture of metal and post-frame buildings." JA70a. Respondent initially asserted that it had used the mark since 1989, JA71a, but it later withdrew that claim and asserted that it first used the mark in 1992, after B&B had already applied to register its mark. Pet. App. 42a.

While Hargis's trademark application was pending before the PTO, B&B filed an infringement action against Hargis in federal district court (a different action from this case). In 2000, a jury found for Hargis. *See B&B Hardware, Inc. v. Hargis Indus., Inc.*, 252 F.3d 1010 (8th Cir. 2001). But the jury did not resolve whether Hargis's mark created a likelihood of confusion with B&B's. Instead, it found that B&B's mark was "merely descriptive" and therefore not eligible for trademark protection. *See* JA62a; Pet. App. 48a; *see also* 15 U.S.C. § 1052(e)(1).

2. In 2002, Hargis sought to cancel B&B's trademark registration. The Board initially granted Hargis's request, based on the jury's conclusion that B&B's mark is merely descriptive. JA82a-94a; *see* 15 U.S.C. § 1052(e)(1). But on reconsideration, the Board recognized that Hargis had not timely raised the "descriptiveness" argument, because B&B's mark had been registered and in use for more than five years and was no longer subject to challenge on these grounds. *See* 15 U.S.C. § 1064(1), 1065. Accordingly, the Board rejected Hargis's challenge to B&B's registration. *See* JA98a-99a.

3. During the brief period in 2002 before the Board granted reconsideration, the PTO published Hargis's trademark application for potential allowance. *Trademark Official Gazette* TM345 (Nov. 5, 2002). B&B timely filed an opposition to respondent's application. Relevant here, B&B asserted that Hargis's mark would create a likelihood of confusion with B&B's senior mark.[5] This opposition proceeding would be the first time the parties fully litigated the question of likelihood of confusion.

a. In discovery, Hargis admitted that there had been actual incidents of customer confusion between B&B's "SEALTIGHT" fasteners and Hargis's "SEALTITE" fasteners. B&B accordingly commenced this case, a civil action against Hargis for infringement of a registered trademark.[6] *See* Section C, *infra*.

b. As a preliminary matter, Hargis contended that the previous judgment barred B&B from proceeding before the Board. But the jury had never decided the likelihood of confusion—only whether B&B's mark was descriptive. That verdict precluded B&B from relying on common-law rights, but it could not affect B&B's federal statutory rights, which were incontestable. Pet. App. 47a-48a, 54a-55a; JA100a-08a.

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[5] All filings before the Board are available online at http://ttabvue.uspto.gov/ttabvue/ (search for proceeding number 91155687), except for a few evidentiary materials filed under seal.

[6] B&B brought the case in the Central District of California, where B&B is located; that court transferred it to the Eastern District of Arkansas. JA30a-31a.

c. Following extensive discovery, testimony, and cross-examination, *see* Pet. App. 43a-44a, the parties submitted their case. B&B emphasized the similarity of SEALTIGHT and SEALTITE, but also repeatedly urged the Board to "take into consideration the realities of the goods and services *in the marketplace*." B&B Trial Br. 6, TTAB Docket No. 39 (Aug. 19, 2006) (emphasis added); *see id.* at 7. The two companies sell their fasteners through overlapping channels; both sell through Fastenal, the nation's largest fastener distributor, and both sell online, where the similar names will likely cause confusion. *Id.* at 11-12. B&B presented evidence that consumers had actually confused the companies' products.

Hargis's defense rested on the argument that the companies' products were very different. Hargis "absolutely agree[d]" with B&B's position that the Board "must take into account the realities of the goods and services in the marketplace." Hargis Trial Br. 19, TTAB Docket No. 42 (Sept. 20, 2006) (internal quotation marks omitted); *see also id.* at 17 (Hargis "agrees with B&B's assessment . . . regarding the particular DuPont factors most applicable in this proceeding"). But Hargis contended that the marketplace evidence favored its position, because the two companies' fasteners had different "physical characteristics," "uses," "channels of distribution," and "prices." *Id.* at 20.

d. In August 2007, the Board sustained B&B's opposition and denied respondent's attempt to register the mark "SEALTITE." *Id.* at 41a-71a. The Board concluded that because the marks were "substantially identical" and "used on closely related

products," respondent's mark was likely to cause confusion with B&B's. *Id.* at 70a.

The Board's decision reflected a balancing of the numerous factors that, under TTAB and Federal Circuit precedent, inform the likelihood-of-confusion analysis. Pet. App. 55a (citing *In re E. I. DuPont DeNemours & Co.*, 476 F.2d 1357 (C.C.P.A. 1973)). The Board concluded that the marks are highly similar, *id.* at 56a-57a; that the goods are similar enough that the similar marks would confuse consumers, *id.* at 61a-62a; and that there was evidence of actual consumer confusion, even if not "especially compelling" evidence. The Board acknowledged that B&B's mark is not famous and that the parties' products move in different channels of trade, which cut in respondent's favor. *Id.* at 55a-56a, 62a-64a. Considering all the factors, but giving particular weight to the similarity of the marks and of the goods, the Board found a likelihood of confusion. *Id.* at 70a-71a.

At the end of its decision, after announcing its finding of likely confusion, the Board added: "To the extent that any doubts might exist as to the correctness of our likelihood of confusion analysis, especially considering the prior determination that [B&B's] mark is merely descriptive and has not acquired secondary meaning, we resolve such doubts against [respondent]." Pet. App. 71a.

Respondent did not appeal the Board's decision to either the Federal Circuit or a district court.

C. The Eighth Circuit Disagrees With The TTAB's Finding Of Likelihood Of Confusion.

The action then returned to district court, where B&B pressed its trademark-infringement action against respondent. Both the district court and, on appeal, a divided panel of the Eighth Circuit refused to accord preclusive effect to the TTAB's decision.

1. While the TTAB proceedings were ongoing, the district court dismissed the infringement action as precluded by the 2000 jury verdict. In 2009, after the Board ruled, the Eighth Circuit reversed that decision, because the jury in the prior action never decided likelihood of confusion, and because B&B's mark is incontestable and cannot be invalidated as descriptive. JA61a-62a. The Eighth Circuit declined to decide whether the Board's decision might have preclusive effect in B&B's favor, JA63a-64a & n.4, but remanded that issue.

2. B&B sought summary judgment based on the issue-preclusive effect of the Board's decision on likelihood of confusion. JA108a-32a.[7] Hargis resisted preclusion on a number of grounds, but it never disputed that the salient facts on likelihood of confusion in the district court would be the same salient facts on likelihood of confusion that were before the Board. Rather, it contended that the Board's decision could have no preclusive effect as a *legal* matter, because of structural differences between the two tribunals. JA178a-99a.

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[7] The other elements of infringement (B&B's priority and Hargis's use of the mark in commerce) were undisputed. *See* JA 134a, 201a.

The district court refused to apply issue preclusion. In an oral ruling the day before trial, the court emphasized that the Board's decision had not been appealed to an Article III court, and it stated incorrectly that B&B had not borne the burden before the Board. JA216a.

The case proceeded to trial. B&B sought to introduce the TTAB's decision into evidence. The district court precluded its admission. Pet. App. 3a, 28a-29a. The district court allowed the jury to hear of the Board's ultimate conclusion, but not how it resolved the likelihood-of-confusion issue. JA245a-46a. To the contrary, the district court instructed the jury that "what you are having to decide does not have anything to do with all that litigation [before the TTAB] that went really kind of back and forth." JA235a-36a; *see* JA317a.

At trial, Hargis once again defended on the ground that the two companies' fasteners "are different products for different applications sold to different markets." JA281a-82a; *see* JA282a-85a. The jury found for Hargis on the trademark-infringement claim.[8]

B&B filed post-judgment motions, again seeking to have the TTAB's decision treated as preclusive or at least admitted into evidence. The district court denied those motions. Pet. App. 27a-29a.

The district court's rationale for rejecting preclusion was that "the findings were made by the TTAB" and not "affirmed by . . . an Article III court." *Id.* at 28a. The district court also reiterated its decision to

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[8] The jury also found for respondent on other claims and counterclaims not at issue here. Pet. App. 21a-22a.

bar the TTAB's decision from evidence, principally because "not all of the factors" that the TTAB relied upon are factors in the Eighth Circuit's own multi-factor test for likelihood of confusion. *Id.* at 28a-29a.

Finally, the district court assessed both costs and attorney's fees against B&B, under the Lanham Act's attorney's-fee provision, 15 U.S.C. § 1117(a). The court found that B&B's Lanham Act claim was so extraordinary as to justify awarding fees against B&B, chiefly because the court thought that B&B had falsely asserted at trial that it was going to expand into the construction fastener market. JA363a-76a.

3. On appeal, a divided panel of the Eighth Circuit affirmed in relevant part. Pet. App. 1a-20a.[9]

a. The panel majority refused to apply issue preclusion because it thought "the same likelihood-of-confusion issues were not decided by the TTAB as those brought in the action before the district court." Pet. App. 7a. No other element of preclusion was at issue. *Id.* at 8a.

The Eighth Circuit noted that the TTAB applies the thirteen-factor *DuPont* test for likelihood of confusion, whereas the Eighth Circuit has its own six-factor test, set out in *SquirtCo v. Seven-Up Co.*, 628 F.2d 1086 (8th Cir. 1980), and only "some" of the factors overlap. Pet. App. 8a-9a. The majority viewed the TTAB as having given inadequate weight to "the marketplace usage of the marks and products." *Id.* at 10a. The panel majority acknowledged that the TTAB had *considered* the "market usage of the prod-

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[9] The court did reverse the trial court's extraordinary decision to require B&B to pay Hargis's fees incurred in litigating the 2007 appeal, in which *B&B* had prevailed.

ucts," *id.* at 9a, but had held those facts to be outweighed by the similarity of the marks and the goods, *id.* In the Eighth Circuit's view, the evidence of "marketplace usage" was "critical" to the issue before it, and so the TTAB's approach was not "appropriate" to an infringement proceeding. *Id.* at 10a.[10]

The majority also added an observation about the burden of proof. It gave some citations for the proposition that a party's "failure to carry the burden of persuasion" in one proceeding is not preclusive in a second proceeding where that party does not have the burden. Pet. App. 10a-11a (citations omitted). "Thus," it observed, "the fact that [respondent] was unable to overcome B&B's challenge to the registration of [respondent's] mark on the basis of likelihood of confusion does not establish that B&B can meet its burden of persuasion for trademark infringement purposes." *Id.* at 11a.

The majority also rejected B&B's claims for lesser relief. It declined to instruct the district court to give greater deference to the TTAB's findings (finding B&B's case citation distinguishable). *Id.* at 11a-12a. And it sustained the district court's decision to exclude the TTAB's opinion, reiterating the view that the issues before the TTAB were different from the issues before the district court. *Id.* at 12a-13a.

Finally, the majority sustained the award of attorney's fees against B&B. Even though the TTAB had

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[10] The court of appeals did not endorse the district court's apparent view that Board decisions may never be preclusive because the Board is not an Article III court. *See id.* at 7a (noting that applying collateral estoppel to administrative tribunals' decisions "may be appropriate," but only "[a]ssuming" that TTAB rulings "may be entitled to preclusive effect").

ruled in B&B's favor, the panel nonetheless characterized B&B's Lanham Act claim as sufficiently "groundless" to warrant an award of fees. Pet. App. 14a. The panel did reduce the award slightly, because the district court erroneously awarded fees even for an appeal on which B&B prevailed, *id.*; the district court has now entered judgment against B&B for more than $540,000 in attorney's fees. Dkt. No. 310.

b. Judge Colloton dissented. Pet. App. 14a-20a. He warned that the majority's rule was "tantamount to holding that a finding of the [TTAB] on likelihood of confusion will never be preclusive in an infringement action." *Id.* at 18a.

Judge Colloton concluded that the issues before the TTAB and the district court were in fact the same. *Id.* at 17a-19a. That the TTAB relied on different factors than the ones recited in the Eighth Circuit's *SquirtCo* precedent reflects only a "[m]odest difference in analytical approach," not a full-scale rupture between two different concepts of likelihood of confusion. *Id.* at 17a. The TTAB did look at the "entire marketplace context"; while it weighed that factor differently than the Eighth Circuit would, that is no reason to deny preclusion, Judge Colloton stated. *Id.* at 18a. Indeed, he noted, every one of the various federal judicial circuits has a different test for likelihood of confusion, each with its own list of factors—yet one circuit's decision still has preclusive effect in another, as between the same parties. *Id.* at 17a-18a.

Ultimately, Judge Colloton stated, the panel majority simply *disagrees with* the TTAB's analysis, based on its own precedent. But "issue preclusion

prevent[s] relitigation of wrong decisions just as much as right ones. Otherwise, the doctrine[] would have no effect and be useless." *Id.* at 19a (citing *Clark v. Clark*, 984 F.2d 272, 273 (8th Cir. 1993)).

Judge Colloton also refuted the panel majority's observation about the burden of proof. In this case, he stated, "the burden of persuasion was not material to the [TTAB's] decision." *Id.* The TTAB mentioned it in a single sentence, only after the TTAB had completed its analysis, and only "[t]o the extent that any doubts might exist." *Id.* At most, therefore, it was "an alternative holding based on an uncertain contingency," and it could not undermine the preclusive effect of the TTAB's decision. *Id.* at 20a.

Finally, Judge Colloton rejected the district court's different, even more categorical holding that TTAB decisions may never be preclusive because the TTAB is an administrative body. *Id.* at 16a.

SUMMARY OF ARGUMENT

"Likelihood of confusion" is one concept, not two. The comparison between two marks, and the goods on which they appear, works the same way whether the underlying dispute concerns infringement, registration, or both. The analysis is fact-sensitive, and different tribunals can sometimes come to different conclusions about whether one mark is "likely . . . to cause confusion" with another. But that is exactly why the issue should be litigated *once*, not twice, for a single set of facts. Once a tribunal has answered the likelihood-of-confusion question, that answer is final under the law of judgments—whether the first tribunal is a district court or the Board.

A. The Lanham Act draws no distinction between likelihood of confusion *for registration purposes* and likelihood of confusion *for infringement purposes*. When Congress adopted the Lanham Act in 1946, it wrote identical language about likely confusion into both the registration and infringement provisions. And nothing rebuts the presumption that identical words in the same statute mean the same thing.

Indeed, likelihood of confusion was a well-established concept in trademark law long before the Lanham Act. Congress transplanted that concept into the Lanham Act—in both places.

Dividing likelihood of confusion into substantively different branches for registration and infringement would render trademark proceedings incoherent. Often registration and infringement are litigated before the same district court at the same time, involving the same marks and the same goods. When a trademark plaintiff seeks infringement damages *and* cancellation of the defendant's mark, both on the ground of likelihood of confusion, the two forms of relief should stand or fall together. The Eighth Circuit's approach would require the same court to apply two different concepts of confusion, and potentially reach two different outcomes.

B. The Eighth Circuit concluded that preclusion should not apply because likelihood of confusion was a different issue before the Board than before the district court. But the parties litigated the same marks, the same goods, and the same theories before the Board as they did at trial. In particular, they submitted considerable evidence of how the fastener marketplace works and how B&B's and Hargis's products move within that market. The Board

weighed that evidence and found that, while the parties' products were different in important respects, the close similarity between SEALTIGHT and SEALTITE outweighed any differences between construction fasteners and aerospace fasteners.

The Eighth Circuit disagreed with the balance the Board struck between comparing the mark and evaluating the market, and it therefore let Hargis relitigate that issue. But under the law of judgments, issue preclusion applies when a question has already been answered—not when the second tribunal *likes* the answer.

C. Facts essential to a judgment may change; parties are free to litigate likelihood of confusion a second time if, for example, the second case considers a materially different range of goods. But there is no basis for relitigation where, as here, the parties are the same, the marks are the same, and the goods are the same. The only differences were the tribunal—and the outcome. Issue preclusion exists precisely to prevent this sort of repeat litigation.

ARGUMENT

This case is about the basic principle that the same parties cannot relitigate an issue once it is fully and finally determined by a competent tribunal. The Eighth Circuit in this case refused to apply preclusion on grounds that "likelihood of confusion" means one thing in trademark-registration proceedings and another in trademark-infringement actions. That reasoning erroneously undermines the finality of court judgments *and* Board judgments: it would allow the loser in a district-court action to relitigate before the Board, just as it allowed the loser before

the Board to relitigate the same issue in district court in this case. The Lanham Act requires no such result. Correctly understood, the Lanham Act contains only one concept of "likelihood of confusion. Because the Board has already applied that concept to resolve the parties' dispute, the Eighth Circuit's denial of preclusion should be reversed.

I. In The Federal System, Litigants Get One Full And Fair Opportunity To Litigate And Appeal An Issue.

A. The Parties To A Final Judgment May Not Relitigate The Same Issue In A New Proceeding.

Federal courts limit litigants to one full and fair adjudication. Once a federal court of competent jurisdiction has "actually and necessarily" decided an issue of fact or law as part of a final judgment, the same parties may not relitigate that same issue in a subsequent action, because the first determination "is conclusive" and the matter is "forever settled." *E.g.*, *Montana v. United States*, 440 U.S. 147, 153 (1979); *Baldwin v. Iowa State Traveling Men's Ass'n*, 283 U.S. 522, 525 (1931); *accord Cromwell v. Cnty. of Sac*, 94 U.S. 351, 354 (1877) ("[T]he determination of a question directly involved in one action is conclusive as to that question in a second suit between the same parties upon a different cause of action."). "Such has been the rule of the common law from an early period of its history down to the present time." *Beloit v. Morgan*, 74 U.S. (7 Wall.) 619, 622 (1869). The modern label is "issue preclusion."

Preclusion doctrines, including issue preclusion, are "central to the purpose for which civil courts

have been established, the conclusive resolution of disputes within their jurisdictions." *Montana*, 440 U.S. at 153. The value of "enforcing repose" is "equally implicated" when the adjudicator is an agency tribunal rather than a federal district court. *Univ. of Tenn. v. Elliot*, 478 U.S. 788, 798 (1986).

Such a "conclusive resolution" serves not just "the parties' interest in avoiding the cost and vexation of repetitive litigation," but the public interest as well. *Elliot*, 478 U.S. at 798. "[P]reventing inconsistent decisions" promotes public confidence and "encourage[s] reliance on adjudication." *Allen v. McCurry*, 449 U.S. 90, 94 (1980). Indeed, as Judge Friendly explained, "altering a legal ruling as to the same litigants" after final judgment risks sending the message that "this may reflect only a change in the membership of the tribunal"—*i.e.*, that it is never too late to forum-shop. *Zdanok v. Glidden Co.*, 327 F.2d 944, 953 (2d Cir. 1964). Moreover, the court system benefits from "conserving judicial resources" that relitigation could divert. *Elliot*, 478 U.S. at 798.

These benefits are not party-specific; issue preclusion serves the same salutary purpose of finality whether it is a plaintiff or a defendant who invokes it. Accordingly, the same test applies whether the winner of the first judgment seeks to use preclusion defensively, to bar new litigation, or affirmatively, to claim legal relief that follows from the first court's decision. *Restatement (Second) of Judgments* § 27 & cmt. a (1982). Preclusion is the reason why a dispute over a lease does not need to be relitigated every time a month's rent comes due: the judgment awarding the first month's rent can be invoked to resolve disputes over future months' rent as well. *See, e.g.*,

United States v. Moser, 266 U.S. 236, 240-41 (1924) (judgment that officer was entitled to higher salary was preclusive in his successive lawsuits to recover additional installments of the same salary).

Thus, the winning party's ability to invoke the judgment in a new action does not turn on how the parties to that new action are aligned. Under any alignment, the same parties may not relitigate the same issue.[11]

B. Preclusion Law Protects Against Errors Because It Binds Only Litigants Who Have Had An Opportunity For Appellate Review.

The "most significant safeguard" of federal preclusion doctrine is the requirement of full and fair litigation before the first tribunal. *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 329 (1971). Among other things, that protection means that issue preclusion will not apply unless the losing party had an adequate opportunity for appellate review. The disputed issue must be "necessary" to the court's judgment, so that it will not be insulated from appellate review. *Partmar Corp. v. Paramount Pictures Theatres Corp.*, 347 U.S. 89, 99 n.6 (1954); *Restatement (Second) of Judgments* § 27 cmt. h. And appellate review must be available. If the trial court's resolution of an issue cannot be reviewed on appeal (for instance, if a party loses an issue pretrial, but wins at trial, and so cannot appeal the judgment

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[11] Some special limitations apply when one party differs—when a nonparty seeks to use a judgment against someone who was a party—but not when both parties are the same. *See, e.g., United States v. Stauffer Chem. Co.*, 464 U.S. 165, 173 (1984).

in its favor), there is no preclusion. *See, e.g., id.* § 28(1) & cmt. a.

The flip side of that protection is that a losing litigant must appeal when the opportunity arises. A litigant cannot resist the preclusive effect of a final judgment by arguing that the judgment was wrong on the merits. *Ticor Title Ins. Co. v. Brown*, 511 U.S. 117, 121 (1994) ("[E]ven though [the first tribunal's] determination may have been wrong, it is conclusive upon these parties"); *Federated Dep't Stores, Inc. v. Moitie*, 452 U.S. 394, 398 (1981) (the "res judicata consequences of a final, unappealed judgment on the merits" are not "altered by the fact that the judgment may have been wrong"); *Reed v. Allen*, 286 U.S. 191, 201 (1932) (applying the "well settled rule" that "a judgment, not set aside on appeal or otherwise, is equally effective as an estoppel upon the points decided, whether the decision be right or wrong").

Rather, the proper avenue for a challenge is an appeal. And if a litigant fails to appeal, the resulting "predicament . . . is of his own making." *Reed*, 286 U.S. at 198; *see also, e.g., Partmar Corp.*, 347 U.S. at 99 ("While Partmar did not appeal, it might have.").

The same is true of litigants who fail to seek judicial review of an agency's adjudication. "They are in no different position from any claimant who seeks to avoid the bar of res judicata on the ground that the decision was wrong." *Pittston Coal Grp. v. Sebben*, 488 U.S. 105, 123 (1988); *accord, e.g., Elliott*, 478 U.S. at 796-99 (giving preclusive effect to an unappealed agency adjudication).

C. Unlike Claim Preclusion, Issue Preclusion Does Not Require The Same Cause of Action, Just The Same Issue.

Issue preclusion bars relitigation of the same *issue*, no matter whether that issue is resolved in the context of the same *claim* or *cause of action*. This basic principle renders irrelevant many of the differences between registration and infringement proceedings on which Hargis sought to rely at the certiorari stage.

Issue preclusion encompasses the two doctrines of "collateral estoppel" and "direct estoppel." *See, e.g.*, *Taylor v. Sturgell*, 553 U.S. 880, 892 n.5 (2008), and the sole distinction between those terms was that collateral estoppel involves different claims (and thus is "more frequently" invoked), while direct estoppel involves separate suits on the same claim. *Restatement (Second) of Judgments* § 27 cmt. b; *Restatement (First) of Judgments* § 45 cmts. c & d (1942). Thus, this Court has long recognized that "an issue of fact or law, actually litigated and resolved by a valid final judgment, binds the parties in a subsequent action, *whether on the same or a different claim*." *Baker v. Gen. Motors Corp.*, 522 U.S. 222, 233 n.5 (1998) (emphasis added); *see, e.g.*, *Parklane Hosiery Co. v. Shore*, 439 U.S. 322, 326 n.5 (1979); *Mercoid Corp. v. Mid-Continent Inv. Co.*, 320 U.S. 661, 671 (1944); *Myers v. Int'l Trust Co.*, 263 U.S. 264, 70-71 (1923) (bankruptcy case and action for deceit).

The focus therefore is properly on the legal or factual issue, not on the context or claim in which it arises. The relief sought in the two proceedings may

be completely different.[12] And even the sources of law may be completely different.[13] Yet when the two proceedings entail resolving the same legal or factual issue, the first judgment controls notwithstanding these superficial differences.

Here issue preclusion turns on whether "likelihood of confusion" means the same thing in registration and infringement proceedings. At the certiorari stage, Hargis emphasized a number of differences between a registration proceeding and an infringement action that have no bearing on that question. *See, e.g.*, Br. in Opp. 4. It is certainly true that the Board does not award money damages or issue injunctions precluding litigants from using a mark. But it is also completely irrelevant; the *criminal* court that issued the preclusive judgment in *Allen*,

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[12] *See, e.g., Parklane Hosiery*, 439 U.S. at 324 (injunctive relief versus damages); *Partmar Corp.*, 347 U.S. at 93 (injunctive relief for unlawful detainer versus treble damages under the Sherman Act); *Myers*, 263 U.S. at 69-70 (acceptance of a bankruptcy plan versus damages for deceit).

[13] *See Kremer v. Chem. Constr. Corp.*, 456 U.S. 461, 479-80 (1982) (elements of state cause of action were "virtually identical" to federal Title VII claim, so state judgment was preclusive); *see also San Remo Hotel, L.P. v. City of San Francisco*, 545 U.S. 323, 335 & n.14, 337 n.18 (2005) (holding that state decision on state constitutional law precluded federal litigation of federal constitutional claim, on the assumption that the two issues were substantively identical); *Becher v. Contoure Labs.*, 279 U.S. 388, 390-91 (1929) (holding that action under state common law determined ownership of patent and thus was determinative of suit under federal patent law); 18 Charles Alan Wright et al., *Federal Practice & Procedure* § 4417, at 462 & n.65 (citing cases); *see also Baker*, 522 U.S. at 245-46 (Kennedy, J., concurring in judgment) (recognizing that one state's court could bind another's, if the relevant law "were the same in both jurisdictions").

449 U.S. at 92-93, could not award money damages, either.

The issue of "likelihood of confusion" indisputably was actually litigated and finally decided before the Board. All that matters for *issue preclusion* is whether that *issue* is the same issue raised in the infringement litigation.

II. Likelihood of Confusion Before The TTAB Is The Same Issue As Likelihood Of Confusion Before A District Court.

The court of appeals found only one element of issue preclusion lacking: it thought that the likelihood-of-confusion issue before the district court was not "the same as the [likelihood-of-confusion] issue involved in the prior action." Pet. App. 8a. The court relied on the notion that "[i]ssues that may bear the same label are nonetheless not identical if the standards governing them are significantly different." *Id.* (citation omitted). But here the standards are not different at all: the Lanham Act contains *one* concept of likelihood of confusion, not more.

The statute uses the same words in several different places—the registration provision and two different infringement provisions—but those words do the same thing in each place: they incorporate into the Lanham Act the single concept of "likelihood of confusion" that has been in use since before trademark law was reduced to writing. When one tribunal has already applied that unitary Lanham Act standard to a pair of goods, issue preclusion bars a second tribunal from re-examining the issue as to the same pair of goods. In this case the two proceedings involved the same goods: SEALTITE construction fas-

teners and SEALTIGHT aerospace fasteners. Issue preclusion should have barred the second tribunal from second-guessing the first.

A. The Statute Uses The Same Language Throughout.

The Lanham Act refers to likelihood of confusion in three places, but they all carry the same meaning. The *consequence* may differ—infringement of a registered mark, infringement of an unregistered mark, or refusal to register a mark. But the *concept* is the same under each section, as the text makes clear.

A mark cannot be registered if its resemblance to an existing mark (registered or unregistered) is "**likely**, when used on or in connection with the goods of the applicant, **to cause confusion, or to cause mistake, or to deceive**." 15 U.S.C. § 1052(d) (emphasis added).

The same wording appears in indistinguishable form in the two infringement provisions—one for registered marks, one for unregistered marks. Both statutes impose infringement liability when (as relevant here) the defendant's use of a mark "is **likely to cause confusion, or to cause mistake, or to deceive**." 15 U.S.C. §§ 1114(1)(a), 1125(a)(1)(A) (emphasis added). And both infringement provisions echo the requirement that the infringing use be "on or in connection with" particular "goods."[14] *Id.* §§ 1114(1)(a), 1125(a)(1)(A).[15]

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[14] The infringement provisions also allow an infringing use to be "on or in connection with . . . services"; Section 1052 does not expressly address service marks because they are provided for

The "'normal rule of statutory construction'" is "that words repeated in different parts of the same statute generally have the same meaning." *E.g.*, *Law v. Siegel*, 134 S. Ct. 1188, 1195 (2014) (quoting *Dep't of Revenue v. ACF Indus., Inc.*, 510 U.S. 332, 342 (1994)). That presumption carries all the more force where the three relevant sections of the Lanham Act were adopted at the same time, in the same legislation, in essentially the same form as they exist today. Lanham Act, ch. 540, tit. I, §§ 2, 32, 43, 60 Stat. 427, 428, 437, 441 (1946); *see, e.g.*, *Taniguchi v. Kan Pac. Saipan, Ltd.*, 132 S. Ct. 1997, 2004-05 & n.5 (2012) (emphasizing consistent usage throughout the same statute).

There certainly are some textual differences between the registration and infringement provisions, but those differences pertain only to which uses of the mark are being compared, not to the nature of the likelihood-of-confusion comparison. In what amounts to a jurisdictional element, the infringement provisions require that the infringer have used the infringing mark "in commerce," "in connection with the sale, offering for sale, distribution, or advertising" of goods or services. 15 U.S.C. § 1114(1)(a). The registration provisions have their own, somewhat more permissive jurisdictional element: the applicant need only show that he is using *or intends to use* the mark "in commerce," *id.* § 1051(a), (b), and

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under a separate provision, 15 U.S.C. § 1053, but the registration standards are the same, *see id.*

[15] The phrase (minus the second "to cause") also appears in the definition of the term "colorable imitation," 15 U.S.C. § 1127. A "colorable imitation" of a registered mark can be infringing under § 1114(1)(a) and may be subject to destruction under 15 U.S.C. § 1118.

in assessing whether to grant registration, the PTO examines the likelihood of confusion with any mark "used in the United States by another and not abandoned" or registered with the PTO, not necessarily a mark used in commerce. *Id.* § 1052(d). But once a mark comes within the scope of what the registration or infringement provisions examine, there is no textual distinction whatsoever in the likelihood-of-confusion analysis.

B. Both § 1057 and § 1114 Incorporate A Single Concept Dating Back to 1881.

The concept of "likelihood of confusion" has a lengthy history. When Congress adopted it in the Lanham Act as the test for both registration *and* infringement, it was adopting this same established concept—in both places. "[I]t is a cardinal rule of statutory construction that, when Congress employs a term of art, it presumably knows and adopts the cluster of ideas that were attached to each borrowed word in the body of learning from which it was taken." *FAA v. Cooper*, 132 S. Ct. 1441, 1449 (2012) (citations omitted). That presumption has double force in the case of the phrase "likely to cause confusion," which had a "well-settled meaning" at common law *and* had already been given that same meaning when adopted into previous federal trademark statutes. *E.g.*, *Sekhar v. United States*, 133 S. Ct. 2720, 2724 (2013) ("[A]bsent other indication, "Congress intends to incorporate the well-settled meaning of the common-law terms it uses."). Both the registration and infringement provisions inherit that settled construction of "likelihood of confusion."

The concept of likely confusion—and its close relative, likely deception of the public—entered the trademark statutes as part of the test for registration, not infringement. The first federal trademark-registration statute barred registration of any mark "which so nearly resembles [an already-registered mark appropriate to the same class of merchandise] as to be likely to deceive the public."[16] After that statute was struck down for lack of a constitutionally adequate connection with interstate and foreign commerce,[17] other, narrower federal trademark statutes followed, all of which preserved the concept of likely confusion as a bar to registration. The modern three-part formulation entered federal law shortly after this Court's decision, with the 1881 statute providing for registration of trademarks used in foreign or Indian commerce. That statute barred registration of a trademark that "so nearly resembles" another mark "as to be likely to cause confusion or mistake in the mind of the public, or to deceive purchasers."[18] The same formulation appeared in the more substantial trademark acts of 1905 and 1920.[19]

Infringement picked up the same concept. The substantive law of infringement during that period

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[16] Act of July 8, 1870, ch. 230, § 79, 16 Stat. 198, 211.

[17] *See The Trade-Mark Cases*, 100 U.S. 82 (1879).

[18] Act of Mar. 3, 1881, ch. 138, § 3, 21 Stat. 502, 503.

[19] *See* Act of Feb. 20, 1905, ch. 592, § 5 (first proviso), 33 Stat. 724, 725-26 (same three-part formulation); Act of Mar. 19, 1920, ch. 104, § 1(b), 41 Stat. 533, 534 (same, except omitting the comma after "public"), *amended by* Act of June 10, 1938. The 1920 statute provided for registration on what today would be called the Supplemental Register, *see* 15 U.S.C. §§ 1091 *et seq.*, of marks that could not be registered under the 1905 statute, on what today would be called the Principal Register.

was largely a matter of common law; although federally registered trademarks could be enforced in federal court, the federal component of the infringement action was procedural rather than substantive. And common-law courts were beginning to require a likelihood of confusion or consumer deception in trademark-related cases of unfair competition. Just as the Lanham Act began working its way through Congress, the American Law Institute expressly adopted that principle of confusing similarity as the basis for common-law trademark infringement. *See Restatement (First) of Torts* § 717(1)(a), (2)(a) (1938) (to be liable for infringement of a trade-mark or trade name, the alleged infringer's mark or name must be "identical with or confusingly similar to" the plaintiff's); *id.* § 728 cmt. a (describing "[l]ikelihood of confusion" as the "ultimate test of whether or not there is a confusing similarity"); *id.* § 730 cmt. b ("likelihood of confusion of prospective purchasers" marks the "limits" of trademark protection).

Thus, by the time the Lanham Act was adopted, Congress well understood what it was doing when it wrote "likely to cause confusion, or to cause mistake, or to deceive" into both the registration and the infringement provisions. *See Developments in the Law—Trade-Marks and Unfair Competition*, 68 Harv. L. Rev. 814, 846 (1955) (noting that the "new standard" Congress adopted in 1946 was "the one in fact employed in many decisions before the Lanham Act"). By making "likelihood of confusion" the key test, Congress consciously abandoned rival concepts that previous trademark laws had employed: for example, previous cases had debated whether likely confusion carried more or less weight than whether the marked goods had the "same descriptive proper-

ties." *See, e.g.*, Walter J. Derenberg, *Trade-Marks Ante Portas*, 52 Yale L.J. 829, 838-39 (1943) ("[P]assage of the Lanham Bill would put an end to this dilemma" by eliminating "the phrase 'same descriptive properties' . . . . This fact indicates that the soundness of the 'confusion' test is almost universally recognized . . . ."). The Lanham Act's goal was to simplify matters—not to complicate them further by perpetuating substantive distinctions between the registration test and the infringement test.

C. The Statutory Structure Demonstrates That Registration And Infringement Proceedings Both Apply The Same Concept Of Likelihood of Confusion.

Even if the statute *could* plausibly be read to create two different likelihood-of-confusion standards—one for purposes of registration, and one for purposes of infringement—the statutory structure gives compelling reasons to reject any such reading. Registration-related proceedings and infringement proceedings cannot be neatly separated: the Eighth Circuit panel seemed to think that registration-related proceedings take place exclusively before the Board, but that is not correct. Under the Lanham Act, registration and infringement proceedings can actually take place before the *same district court* in the *same case*. That creates a strong structural inference that the likelihood-of-confusion issues are governed by the *same standard*. The alternative would require district courts to read and apply the same statutory language in two different, potentially conflicting ways at the same time.

1. District courts must apply the registration standard as part of their power to resolve disputes over a party's federal trademark registration.[20] Exercising that power usually means ordering a registered mark canceled. *See* 15 U.S.C. § 1119; *Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 192 (1985). Less commonly, the district court can also order a mark registered,[21] or a registration modified. In entertaining a claim for registration or cancellation, the district court must apply the same registration standard that the PTO and Board apply.

The statute expressly authorizes a court to "order the cancelation of registrations." 15 U.S.C. § 1119. Because that provision does not set any independent standard for district courts to apply, it naturally incorporates the Lanham Act's provision for cancellation, which specifies the grounds on which a mark may be cancelled even once it becomes incontestable. *Id.* § 1064(3)-(5). Within the first five years after registration, a mark may also be cancelled simply because it should not have been registered. *See id.* § 1064(1); 3 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 20:52, at 20-137 to 20-138 (until a mark becomes incontestable, "cancellation may be based on any ground in the Lanham Act that would have barred registration in the first instance"). So the grounds for cancellation

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[20] A district court's power over registration kicks in when the court is hearing "[an] action involving a registered mark," whether plaintiff's mark or defendant's mark. 15 U.S.C. § 1119. Thus, for instance, if a plaintiff sues for infringement of a registered mark, the defendant may counterclaim to cancel the plaintiff's registration.

[21] *See In re Fortex Indus., Inc.*, 18 U.S.P.Q.2d 1224 (Dec. Comm'r Pat. 1990).

before the district court are the same as grounds for cancellation before the Board. *Accord* 5 McCarthy § 30:112, at 30-202. And as discussed above, one ground for denying registration is a likelihood of confusion. 15 U.S.C. § 1052(d). So a district court entertaining a request to cancel the other party's mark will be applying the same standards as the Board. Indeed, district courts in those circumstances regularly rely on precedent from the Board and the courts that review Board decisions directly.[22]

Similarly, district courts have the power to review Board decisions directly, when the dissatisfied litigant opts to proceed that way instead of by review in the Federal Circuit. *See* 15 U.S.C. § 1071(b). And once the case gets to district court, one party or the other often adds a claim for infringement. *See, e.g.*, *CAE, Inc. v. Clean Air Eng'g, Inc.*, 267 F.3d 660, 670 (7th Cir. 2001); *Coryn Grp. II, LLC v. O.C. Seacrets, Inc.*, 2011 WL 6202479, at *1 (D. Md. Dec. 6, 2011).

2. When a single court in a single case is applying the same statutory language ("likely . . . to cause confusion"), to the same parties, the same marks, and the same goods, there is no textual basis for the court to reach different results as to infringement and registration. But that is precisely what would happen if the standards really did differ: a district court could enjoin a defendant from using its mark, because of a likelihood of confusion with the infringement plaintiff's mark—yet order the defendant's mark registered, because the likelihood of confusion does not meet the standard for denying registration. Or, inversely, the court might cancel the de-

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[22] *See, e.g., Scorpiniti v. Fox Television Studios, Inc.*, 918 F. Supp. 2d 866, 877 (N.D. Iowa 2013).

fendant's existing registration—but award the plaintiff no damages and no injunction, because the likelihood of confusion does not meet the standard of infringement.

Unsurprisingly, courts do not interpret these Lanham Act provisions in that way. Rather, when a district court or a regional circuit is called upon to decide likelihood of confusion in the registration context, it simply applies the same standard it applies to an infringement claim.[23] Indeed, the Eighth Circuit itself has reviewed infringement and cancellation claims under the same standard. *See John Deere & Co. v. Payless Cashways, Inc.*, 681 F.2d 520, 522, 523-24 (8th Cir. 1982) (reviewing rejection of infringement and cancellation claims under same standard). As well it should. The substantial overlap between registration and infringement proceedings further reinforces what the text makes plain: the legal meaning of likelihood of confusion does not vary.

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[23] *See, e.g., Bd. of Regents v. Phoenix Int'l Software, Inc.*, 653 F.3d 448, 454 (7th Cir. 2011) (applying the same factors the court applies in infringement cases); *Kellogg Co. v. Toucan Golf, Inc.*, 337 F.3d 616, 623 (6th Cir. 2003) (same); *Jet, Inc. v. Sewage Aeration Sys.*, 165 F.3d 419, 425 (6th Cir. 1999) ("Our holding on Jet's trademark infringement claim, that there is not a likelihood of confusion, necessarily precludes cancellation of SAS's mark."); *Wells Fargo & Co. v. Stagecoach Props., Inc.*, 685 F.2d 302, 306 (9th Cir. 1982) ("The test of likelihood of confusion [in reviewing a Board decision] is the same as that applied in infringement actions.").

D. Congress Consciously Amended The Lanham Act To Ensure That The Board Could Consider All Relevant Evidence.

Some courts have denied preclusive effect to Board decisions based on the notion that the Board does not actually analyze anything except the competing marks themselves, in isolation. *See, e.g., Levy v. Kosher Overseers of Am.*, 104 F.3d 38, 42 (2d Cir. 1997). Even if some individual cases might require nothing more than comparison of the marks, the Board plainly has the *authority* to consider the same sort of evidence as the district courts—evidence about how the products compete in the marketplace. The Board's authority to receive and consider that evidence confirms that its likelihood-of-confusion inquiry is legally no different from a district court's.

The 1988 revisions to the Lanham Act were intended to make absolutely clear that the Board can not only consider this evidence, but modify an actual or requested registration to conform to marketplace realities. The proposal originated with the United States Trademark Association (USTA), now the International Trademark Association (INTA), following a comprehensive review of the Lanham Act. One of the USTA's observations was that the Board had an "undesirable" tendency to "decide[] the likelihood of confusion on hypothetical, not real world, grounds." *Trademark Review Commission Report to USTA President and Board of Directors*, 77 Trademark Rep. 375, 452 (1987) (*Trademark Review Commission Report*). Congress accordingly decided to amend the statute to "permit the Board to base determinations of likelihood of confusion on marketplace realities ra-

ther than on hypothetical facts." S. Rep. No. 100-515, at 35. Thus, for instance, Congress wanted the Board's likelihood-of-confusion determination to be able to take into account "distinctions between the actual products," or distinctions between "their channels of trade," rather than just identifications "on paper" of the products that will bear the marks. *Id.*

Congress accordingly amended the statute to give the Board additional authority over registration, as the USTA had recommended. *See* Trademark Law Revision Act of 1988, Pub. L. No. 100-667, Tit. I, § 118, 102 Stat. 3941 (amending 15 U.S.C. § 1068); *Trademark Review Commission Report* 453. Instead of just taking the goods as recited in the registration applications, the Board may consider the goods' real-world interactions, and may "modify the application or registration by limiting the goods or services therein" to avoid a likelihood of confusion between the goods as registered. *See also Eurostar, Inc. v. "Euro-Star" Reitmoden GmbH & Co. KG,* 34 U.S.P.Q.2d 1266, 1270 (TTAB 1994) (explaining that the Board will only impose such a limitation where it is "commercially significant," *i.e.*, will avoid a likelihood of confusion).

The 1988 amendment makes clear in the statute what is already apparent from Board decisions: the Board may, and does, consider evidence of marketplace context—the nature of the goods, the nature of their markets, and the ways in which the goods interact in commerce. *See, e.g., Bd. of Regents* v. *Phoenix Int'l Software, Inc.*, 653 F.3d 448, 456 (7th Cir. 2011) ("The TTAB committed no error when it declared that it was considering the nature of the par-

ties' goods '[t]o the extent that these facts provide some information about the market and purchasers of these goods'" (brackets in original)); *Coach Servs., Inc. v. Triumph Learning LLC*, 96 U.S.P.Q.2d 1600, 1608 (TTAB 2010) (reviewing evidence of the people to whom the two companies marketed their products and through what channels), *aff'd in relevant part*, 668 F.3d 1356 (Fed. Cir. 2012). The amendment is further confirmation that the "likelihood of confusion" concept means the same thing for registration and infringement.

E. Minor Variations In Factors Between Circuits Are Irrelevant.

The panel majority appeared to hold that even if the registration and infringement provisions are textually no different, the Eighth Circuit, the Federal Circuit, and the Board have *interpreted* them differently by adopting different multi-factor balancing tests. Pet. App. 8a-10a. But U.S. Code sections are not Galapagos finches: they do not evolve into distinct species through the process of interpretation by each regional court of appeals. And even if the law of preclusion doctrine could recognize this sort of statutory speciation, it would not do so in the Lanham Act context, because there simply is no pertinent difference between the Board's test and the Eighth Circuit's—or any other tribunal's. "Minor variations in the application of what is in essence the same legal standard do not defeat preclusion . . . ." *Smith v. Bayer Corp.*, 131 S. Ct. 2368, 2378 n.9 (2011).[24]

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[24] Circuits have long disagreed over whether "likelihood of confusion" is a factual finding or a mixed question of law and fact. *E.g., Elby's Big Boy of Steubenville, Inc. v. Frisch's Restaurants,*

1. The *statute*, not the regional circuits' interpretations of it, is what determines whether "the issues presented by this litigation are in substance the same as those resolved" in the previous litigation. *Montana*, 440 U.S. at 155. When circuits disagree on the interpretation of a statute, their disagreement does not mean that there are now two statutes and two different legal issues. It just means that the circuits have adopted *different tests* for answering *the same question*. One test may be right and (at least) one test may be wrong, but the legal issue is still identical for preclusion purposes. *See, e.g.*, *Yamaha Corp. of Am. v. United States*, 961 F.2d 245, 258 (D.C. Cir. 1992) ("[T]he fact that the substantive law may be different in the [D.C. and Ninth Circuits] does not affect the application of issue preclusion."). The judgment of one circuit is therefore still preclusive in the other. Trying to distinguish the legal issues based on differing circuit precedent "is just another way of saying that the [first tribunal's] decision is wrong." *Nat'l Post Office Mail Handlers v. Am. Postal Workers Union*, 907 F.2d 190, 194 (D.C. Cir. 1990). And that is exactly what the law of judgments forbids a second tribunal to do. *See, e.g.*, *Moitie*, 452 U.S. at 398; p. 22, *supra*.

This Court regularly resolves circuit conflicts over whether a statutory cause of action requires proof of a particular element. *See, e.g.*, *Bridge v. Phoenix Bond & Indem. Co.*, 553 U.S. 639, 646 (2008) ("whether first-party reliance is an element of a civil

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Inc., 459 U.S. 916, 917 (1982) (White, J., dissenting from denial of certiorari); 4 McCarthy § 23:73. The answer does not matter here, because issue preclusion applies to both types of determinations.

RICO claim predicated on mail fraud"). When Bridge's suit was thrown out by the Seventh Circuit for failure to plead reliance, he was not free to go sue on the same theory in the Fourth Circuit, which required no reliance element. If he had tried, he would have been precluded. That is because, both before and after this Court's decision, there was only one RICO statute. This Court's "construction of a statute is an authoritative statement of what the statute meant before as well as after the decision of the case giving rise to that construction," and courts of appeals that previously took the opposite view "were *incorrect*," "by the rules that necessarily govern our hierarchical court system." *Rivers v. Roadway Express, Inc.*, 511 U.S. 298, 312-13 (1994).

The issue before the Board was whether Hargis's mark was "likely to cause confusion" with B&B's. The issue before the district court was precisely the same. The Eighth Circuit may have thought the Board's approach to that issue deeply flawed, but that has no bearing on whether to give the decision preclusive effect.

2. Even if the Eighth Circuit and the Board were not interpreting the same Lanham Act, but applying legally distinct sets of laws as state and federal courts do, preclusion would still be appropriate. That is because as a *substantive* matter the Board's approach to the likelihood-of-confusion inquiry is perfectly compatible with the Eighth Circuit's. *Cf. Smith*, 131 S. Ct. at 2377 (if state and federal courts "follow the same approach," preclusion is appropriate because "the issues in the two cases would indeed be

the same" despite the different sources of law).[25] For that reason, the Board regularly holds itself precluded by a district court's likelihood-of-confusion finding.[26] Preclusion is a two-way street: if a district court can bind the Board, the Board can bind a district court, because the *issue* is the same. That is true here, for three reasons.

First, both tribunals acknowledge that the multi-factor test is just a "non-exclusive" guide to help courts wade through a fact-sensitive inquiry. *See, e.g., Everest Capital Ltd. v. Everest Funds Mgmt. LLC*, 393 F.3d 755, 759-60 (8th Cir. 2005) (jury instructed to "consider all relevant evidence").[27] The

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[25] State unfair-competition law often does mirror federal trademark law in this respect. *See, e.g., M2 Software, Inc. v. Madacy Entm't*, 421 F.3d 1073, 1080 (9th Cir. 2005); *Marathon Mfg. Co. v. Enerlite Products Corp.*, 767 F.2d 214, 217 (5th Cir. 1985); 6 McCarthy § 32:91, at 32-328 to 32-329. When the issues truly are the same, a state-law judgment can be preclusive in federal court or before the Board. *See Mother's Restaurant Inc. v. Mama's Pizza, Inc.*, 723 F.2d 1566, 1570 (Fed. Cir. 1983).

[26] *See, e.g., Midland Cooperatives, Inc. v. Midland Int'l Corp.*, 421 F.2d 754, 756 (C.C.P.A. 1970); *GMA Accessories, Inc. v. Dorfman-Pac. Co.*, 2013 WL 5407289, at *4 (TTAB June 7, 2013).

[27] While each circuit has its own verbal formulation, there is broad agreement that the factors are "non-exclusive." *E.g., IP Lund Trading ApS v. Kohler Co.*, 163 F. 3d 27, 43 (1st Cir. 1998); *Fun-Damental Too, Ltd. v. Gemmy Indus. Corp.*, 111 F.3d 993, 1002 (2d Cir. 1997); *accord Brookfield Commc'ns, Inc. v. W. Coast Entm't*, 174 F.3d 1036, 1054 (9th Cir. 1999). Many of these multi-factor tests trace back to Judge Friendly's opinion in *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492 (2d Cir. 1961). *See, e.g.*, Robert G. Bone, *Taking the Confusion out of "Likelihood of Confusion,"* 106 Nw. U.L. Rev. 1307, 1334 (2012). Judge Friendly expressly cautioned that even the "extensive catalogue" of factors set out in the opinion "does not ex-

mere fact that each circuit "has developed its own version of the list" of likelihood-of-confusion factors, and "jealous[ly]" adhered to that version, 4 McCarthy § 24:30, at 24-80, certainly does not mean that each circuit is deciding a different "issue of fact or law."

Second, the Board's test lets it consider everything that a district court can consider. The Board expressly follows a test that allows it to consider "*any* . . . established fact probative of the effect of use," whether or not that fact fits into one of the 12 other factors. *DuPont*, 476 F.2d at 1361 (emphasis added); *see, e.g.*, *Harry Winston, Inc. v. Bruce Winston Gem Corp.*, 111 U.S.P.Q.2d 1419, 1440 n.120 (TTAB 2014) (emphasis added).[28] Thus, for instance, Hargis em-

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haust the possibilities—the court may have to take still other variables into account." *Polaroid*, 287 F.2d at 495.

[28] The full set of *DuPont* factors is as follows:

(1) The similarity or dissimilarity of the marks in their entireties as to appearance, sound, connotation and commercial impression.

(2) The similarity or dissimilarity and nature of the goods or services as described in an application or registration or in connection with which a prior mark is in use.

(3) The similarity or dissimilarity of established, likely-to-continue trade channels.

(4) The conditions under which and buyers to whom sales are made, i. e. "impulse" vs. careful, sophisticated purchasing.

(5) The fame of the prior mark (sales, advertising, length of use).

(6) The number and nature of similar marks in use on similar goods.

(7) The nature and extent of any actual confusion.

(8) The length of time during and conditions under which there has been concurrent use without evidence of actual confusion.

(9) The variety of goods on which a mark is or is not used (house mark, "family" mark, product mark).

(10) The market interface between applicant and the owner of a prior mark:

phasized in the district court that the Eighth Circuit's test expressly considers evidence of the defendant's intent, whereas the Board's does not. JA189a. But that does not stop the Board from considering intent where it is relevant. "Whether there is evidence of intent to trade on the goodwill of another is a factor to be considered" under the Board's test, thanks to the catchall factor. *J & J Snack Foods Corp. v. McDonald's Corp.* 932 F.2d 1460, 1462 (Fed. Cir. 1991).[29] It is not a dispositive factor, but then no factor is dispositive.[30]

Third, even if the tests set out the exclusive evidence to be considered, they would still be compatible. Most of the Eighth Circuit's factors—strength of the owner's mark, similarity of the marks at issue,

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(a) a mere "consent" to register or use.
(b) agreement provisions designed to preclude confusion, *i.e.* limitations on continued use of the marks by each party.
(c) assignment of mark, application, registration and good will of the related business.
(d) laches and estoppel attributable to owner of prior mark and indicative of lack of confusion.

(11) The extent to which applicant has a right to exclude others from use of its mark on its goods.
(12) The extent of potential confusion, i. e., whether de minimis or substantial.
(13) Any other established fact probative of the effect of use.
DuPont, 476 F.2d at 1361.

[29] *Accord, e.g., L'Oreal S.A. v. Marcon*, 102 U.S.P.Q.2d 1434, 1442 (TTAB 2012); *L.C. Licensing Inc. v. Berman*, 86 U.S.P.Q.2d 1883, 1890 (TTAB 2008).

[30] Indeed, treating (lack of) intent as dispositive would make scienter an element of trademark infringement, which it is not. *See, e.g., Thaddeus Davids Co. v. Davids*, 233 U.S. 461, 471 (1914) (holding it "not . . . necessary" for an infringement plaintiff to "show wrongful intent"); 4 McCarthy § 23:107, at 23-420 to 23-433.

incidents of actual confusion, and "the type of product, its costs and conditions of purchase"—appear in the Board's test by a different name. A fifth factor, the degree of competition between the goods, is part of the Board's consideration of the channels of trade as well.[31]

Eighth Circuit	Federal Circuit
Fame of the mark	Strength of the mark
Similarity of the marks	Similarity of the marks
Incidents of actual confusion	Incidents of actual confusion
The type of product, its costs and conditions of purchase	Similarity and nature of the goods Similarity of trade channels Degree of consumer care
Degree of competition	Similarity of trade channels
Infringer's intent	[considered under catchall factor]

Thus, even if it were appropriate to engage in a factor-by-factor comparison to determine whether issue preclusion would apply—and it is not—the

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[31] Because a key purpose of the Lanham Act was to provide protection against trademark infringement by *noncompeting* goods, *see* 4 McCarthy ch. 24, it would hardly be proper to make competition an indispensable element of the likelihood-of-confusion test. It is a factor, nothing more,

side-by-side comparison of all the factors demonstrates how compatible the analyses really are.

Confronted with the question whether a judgment in the Eighth Circuit could preclude a Lanham Act infringement claim in the Sixth Circuit, the latter court had no trouble concluding that "[a]lthough the two tests are enumerated differently, their substance is largely identical." *See, e.g., Ga.-Pac. Consumer Prods. LP v. Four-U-Packaging, Inc.*, 701 F.3d 1093, 1101 (6th Cir. 2012). Any differences were immaterial, "because we weigh all the factors combined and no one factor alone is determinative of whether confusion exists." *Id.*; *see* Pet. App. 17a-18a (Colloton, J., dissenting). The same is true here.

F. An Opposer In A Registration Proceeding And A Plaintiff In An Infringement Proceeding Bear The Same Burden.

The court of appeals' final reason for treating the issues as different was also its most misguided: the court acted on the incorrect assumption that *Hargis* had the burden of persuasion before the Board, and that B&B (the plaintiff) therefore cannot rely on preclusion to carry *its* burden in district court. *See* Pet. App. 10a-11a. If the court's premise were correct, a Board decision on likelihood of confusion could *never* be preclusive in infringement litigation (and vice versa), because the burden would always shift. But the Eighth Circuit's premise is simply wrong. B&B, as the opposer, was "in the position of plaintiff" before the Board, just as it is here, and it unequivocally bore the burden of proof before the Board. 37 C.F.R. § 2.116(b); *see, e.g.*, 3 McCarthy § 20:3, at 20-10; *id.*

§ 20:15, at 20-42. The government has confirmed that the Eighth Circuit's understanding of PTO procedure was simply wrong. U.S. Invitation Br. 16.

Hargis has never contended otherwise in this Court. *See* Br. in Opp. 33-34. Indeed, Hargis carefully *avoided* citing the Restatement principle that deals with how to handle preclusion when "the burden has shifted to [the] adversary" of the party who lost the first case. *Compare id. with Restatement (Second) of Judgments* § 28(4). Hargis's (entirely proper) decision not to defend the Eighth Circuit's reasoning is enough to dispose of that supposed "alternative" ground for decision here. *See* Sup. Ct. R. 15.2.

What Hargis has instead offered (Br. in Opp. 34) is the notion that preclusion is inappropriate because the Board recited the principle that "[t]o the extent that any doubts might exist," those doubts are resolved in favor of the senior user, Pet. App. 71a, because the junior user could have chosen to enter the field with a different, less confusing mark. This Court need not take up that issue. But if it does, that boilerplate statement does not defeat preclusion, for three reasons.

First, the tiebreaker principle is a common-law principle that has just as much place in infringement litigation as in registration proceedings. Judge Learned Hand recognized as much in an infringement case long before the Lanham Act was adopted. *Lambert Pharmacal Co. v. Bolton Chem. Corp.*, 219 F. 325, 326 (S.D.N.Y. 1915) ("In choosing an arbitrary trade-name, there was no reason whatever why [the defendant] should have selected one which bore so much resemblance to the plaintiff's; and in such

cases any possible doubt of the likelihood of damage should be resolved in favor of the plaintiff."). And numerous federal courts and leading commentators have held that the Lanham Act carries forward the same principle in infringement litigation. *See, e.g.*, *Dr. Seuss Enters., L.P. v. Penguin Books USA, Inc.*, 109 F.3d 1394, 1404 n.14 (9th Cir. 1997); *Telechron, Inc. v. Telicon Corp.*, 198 F.2d 903, 909 (3d Cir. 1952); *Brockmeyer v. Hearst Corp.*, 248 F. Supp. 2d 281, 294 (S.D.N.Y. 2003); 4 McCarthy § 23.64.[32] A rule that applies in both contexts cannot defeat preclusion.

Second, this sort of last-resort tiebreaker does not make B&B's burden "*significantly* heaver" in the district court than it was before the Board, and it therefore does not justify an exception to the ordinary rule against relitigation. *Restatement (Second) of Judgments* § 28(4) (emphasis added). B&B still had the burden of proving all of the facts supporting the likelihood of confusion, including especially the admitted similarity between the marks and the fact that Hargis adopted its name later. Even in a close case, the tiebreaker does not affect the opposer's burden to prove the necessary facts; it affects only the outcome of the balancing test, which does not go to burden of proof at all. *Cf. Microsoft Corp. v. i4i Ltd. P'ship*, 131 S. Ct. 2238, 2253 (2011) (Breyer, J., concurring).

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[32] Hargis has noted that the jury in this case was not instructed on this tiebreaker principle. But to the extent the Board actually decided that the tiebreaker principle applies, *but see* p. 47, *infra*, that decision is binding on Hargis. Even if it were not, the jury instructions came only after the district court had already rejected preclusion. And in any event, B&B has consistently argued that the burden-shifting argument does not defeat preclusion. *E.g.*, JA213a.

And even if it did, the difference between a tie and a broken tie is not a "significantly heavier" burden; it is an infinitesimal difference.

Third, even if *applying* the tiebreaker could signify that the evidence before the Board was truly in equipoise, the tiebreaker made no difference here. The Board had already set out its conclusion that B&B prevailed; only then did it mention the tiebreaker "[t]o the extent that any doubts might exist." Pet. App. 71a. The Board routinely recites this tiebreaker rule in likelihood-of-confusion cases—so frequently that it cannot possibly mean to suggest that the evidence is in equipoise in every single one of those decisions.[33] *Cf. Schaffer v. Weast*, 546 U.S. 49, 58 (2005) ("[V]ery few cases will be in evidentiary equipoise."). Rather, the Board's recital of the doubts-favor-the-senior-mark rule is akin to an appellate court's rote recital of the standard of review—which does *not* signify, standing alone, that the standard is outcome-determinative in that particular case.

III. The Eighth Circuit Wrongly Second-Guessed The Substance Of The Board's Decision.

The Eighth Circuit in this case did not like how the Board struck the balance among the competing fac-

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[33] *E.g.*, *In re Quesada Samper*, 2006 WL 2860216 (TTAB Sept. 20, 2006) ("Accordingly, if we had any doubt in this case, and we do not, we would resolve it in favor of the prior registrant."); *In re Hutchinson*, 2006 WL 1968612, at *6 (TTAB July 7, 2006) (reciting the rule "[a]lthough we have no doubt in this case"); *Tyr Sport, Inc. v. Datanation, LLC*, 2004 WL 474682, at *4 (TTAB Mar. 9, 2004) (reciting the rule even though "[w]e do not have any doubt"); *In re Field Fresh Foods, Inc.*, 1999 WL 181162, at *3 (TTAB Mar. 23, 1999) (same).

tors. But the Eighth Circuit's view of the merits is totally irrelevant to the preclusion question. Indeed, if a second tribunal could reopen a judgment and relitigate an issue based purely on its disagreement with the first tribunal's decision, "the very purpose of the doctrine of [preclusion]" would be frustrated. *Moitie*, 452 U.S. at 399 (quoting *Reed*, 286 U.S. at 201).

The only questions pertinent to preclusion are: Did the Board necessarily and finally decide the likelihood-of-confusion issue? Undisputedly, it did. *See* Pet. App. 7a-8a. Did Hargis have a full and fair opportunity to litigate that issue? Also undisputedly, it did. *See id.* And the question presented here: Is that issue the same one that was before the district court? As shown above, it is.

The Eighth Circuit purported to apply precedent from another circuit that treated the Board and a district court as resolving different issues. But the Eighth Circuit fundamentally misread those cases. No case authorized the Eighth Circuit to do what it did here: to deny preclusion because it thought the outcome should have been different.

A. The Board Considered Marketplace Context.

This was not a case in which the Board, or the parties before the Board, ignored marketplace context. To the contrary: *both parties urged the Board* to consider the marketplace. *See* p. 9, *supra*. The panel majority acknowledged that the Board had taken "evidence of marketplace context—that the types of fasteners are different and marketed to . . . different

industries and customers."[34] Pet. App. 10a. And the panel agreed that the Board had factored that evidence into its analysis, favoring Hargis and "weigh[ing] against a finding of likelihood of confusion." *Id.* But even though the Board had received and considered *the same evidence* of marketplace context as the district court, that was not good enough for the Eighth Circuit—solely because the Board reached a different *decision*.

Hargis therefore cannot justify the decision below based on a few cases opining that, for preclusion purposes, whether the Board and a district court consider the same issue depends on whether the Board examines the "market context" as well as the marks themselves. *See* Resp. Supp. Br. 6-7. The Eighth Circuit fundamentally misread that line of cases: it based its decision on whether the Board *balanced the factors* the way that the Eighth Circuit would and *gave heavy weight* (perhaps dispositive weight) to the marketplace factors the way that the Eighth Circuit would. The cases Hargis cites do not countenance such re-balancing; in none of them did the Board even consider marketplace evidence *at all*. *See Jim Beam Brands Co. v. Beamish & Crawford Ltd.*, 937 F.2d 729, 735 (2d Cir. 1991) (the Board "compared only the typewritten marks") (internal quotation marks and brackets omitted); *Levy*, 104

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[34] The panel majority characterized the evidence before the Board as showing that the products were "marketed to *vastly* different industries and customers," Pet. App. 10a, which is not a fair characterization of how the Board read the evidence. *See id.* at 61a, 64a, 67a.

F.3d at 42 (the Board "relied solely on a visual examination of the two marks").[35]

The Eighth Circuit faulted the Board for having "placed greater emphasis on the appearance and sound when spoken of the two marks." Pet. App. 10a. That "greater emphasis," the Eighth Circuit wrote, amounted to "ignor[ing] . . . the marketplace usage of the marks and products." *Id.* Apparently the panel thought marketplace usage must always be the trump card.

Even supposing the Eighth Circuit were right as a matter of substantive trademark law—and it is not right—the purported error would not matter one bit. Issue preclusion turns on whether the Board and the district court asked the *same question* (here, whether Hargis's use of its mark was likely to cause confusion), not whether they would get to the *same answer*. *See, e.g.*, *Moitie*, 452 U.S. at 398 ("a final, unappealed judgment on the merits" is still preclusive despite "the fact that the judgment may have been wrong"); p. 22, *supra*. If the Board erred, then Hargis's option was to appeal. Hargis made a calculated decision not to do so.

And the Board did not err. The Lanham Act does not require that the similarity of the goods, or other evidence of marketplace context, carry any particular weight in the analysis. In fact, the multi-factor balancing test began to creep into the law precisely because of the problem of identical marks on quite dis-

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[35] In *Jim Beam*, the Board decision came before the 1988 statutory amendment expanding the Board's authority to take evidence. *See* 937 F.2d at 731; pp. 35-37, *supra*. *Levy* relied on *Jim Beam*.

similar products—products that did not compete with each other, such as locks and flashlights; mechanical pens and razor blades; or magazines and girdles. *See Polaroid*, 287 F.2d at 496 (citing cases involving all these product comparisons); 4 McCarthy § 24:61. Someone who uses an infringing mark on a non-competing good may not be stealing sales from the owner of the senior mark, but instead stealing and trading on the senior mark's reputation. That is infringement even if it does not lead to a single lost sale. Even if "[t]here is indeed a limit" and some goods are "too remote" from one another, *L.E. Waterman Co. v. Gordon*, 72 F.2d 272, 273 (2d Cir. 1934) (L. Hand, J.) ("It would be hard, for example, for the seller of a steam shovel to find ground for complaint in the use of his trade-mark on a lipstick."), precisely where to draw the line is a thoroughly fact-sensitive question. The Board's decision that SEALTIGHT aerospace fasteners were not too remote from SEALTIGHT construction fasteners was perfectly reasonable; the Eighth Circuit was thoroughly *un*reasonable in characterizing the Board as essentially applying a completely different law.

B. Preclusion Does Not Turn On The Board's Analysis Of Each Factor.

The Court need not decide whether the Second Circuit was right that preclusion can turn on whether the Board expressly considers marketplace context, because here the Board *did* address marketplace context. But if the Board had not done so, that should not change the analysis.

If a party presents evidence that the marketplace context either ameliorates or exacerbates the likely

confusion between the marks, that evidence constitutes just one *set of facts*, or one *argument*, that the tribunal considers en route to resolving the issue of likely confusion. The Board is open to such evidence and considers it under the rubric of the *du Pont* factors.[36] A proceeding before the Board therefore gives the parties a fair opportunity to litigate marketplace issues as part of the likelihood-of-confusion analysis.

But the Board is not required to address that issue separately—especially if the parties choose not to present evidence on that issue. And that decision is no less final and binding just because the parties passed up or overlooked some arguments or evidence on the question whether confusion is or is not likely. *See, e.g.*, *Restatement (Second) of Judgments* § 27 cmt. c (issue preclusion bars the losing litigant from advancing "new evidentiary facts" or "new arguments . . . to obtain a different determination"); *Pignons S.A. de Mecanique v. Polaroid Corp.*, 701 F.2d 1, 2 (1st Cir. 1983) (Breyer, J.) (holding, in a likelihood-of-confusion case, that issue preclusion barred the plaintiff from advancing "new theories, evidence, and arguments," because the plaintiff "had

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[36] For instance, the Board considers evidence of "commercial impression" and channels of trade. *See, e.g.*, *In re Green Supreme, Inc.*, 2014 WL 3686868, at *5 (TTAB July 18, 2014) ("Evidence of the context in which a particular mark is used on labels, packaging, etc., or in advertising is probative of the significance which the mark is likely to project to purchasers.") (quoting *Nw. Golf Co. v. Acushnet Co.*, 226 U.S.P.Q. 240, 244 (TTAB 1985)); *see also Palm Bay Imports, Inc. v. Veuve Clicquot Ponsardin Maison Fondee en 1772*, 396 F.3d 1369, 1371-72 (Fed. Cir. 2005) (explaining the role of "commercial impression" in the *DuPont* factors).

a fair opportunity to make these arguments and to introduce this evidence the first time").

This Court therefore should not hold that a decision is preclusive only as to factors that the Board explicitly addresses. Juries, after all, do not render factor-by-factor findings; a jury's verdict on likelihood of confusion is preclusive as to that issue, not as to each non-binding sub-factor. So too with the Board. To the extent that the Board's failure to *discuss* an issue constitutes failure to *weigh* an issue, that is at most a ground for appeal. It is not a ground for relitigation by a party that forgoes its appeal.

IV. Because The Two Proceedings Involved The Same Legal Issue, The Same Marks, And The Same Goods, The Eighth Circuit's Denial Of Preclusion Should Be Reversed.

The preclusive effect of a tribunal's decision is tied to the "facts essential to [the] judgment." *Montana*, 440 U.S. at 159, 161. Those facts may vary somewhat from case to case; there is no requirement "that two cases presenting the same legal issue must arise from the very same facts or transaction before [issue preclusion] can be applied." *Stauffer Chem. Co.*, 464 U.S. at 172 n.5. But the law of preclusion recognizes that "essential" facts can change.

In the likelihood-of-confusion context, the "essential" facts are the marks and the goods on which they are to be used. A tribunal's finding is preclusive in subsequent litigation when, as here, the two cases involve the same marks, the same set of goods, and the same market conditions.

For instance, the Board always considers all goods recited in the application or registration (here, construction fasteners and aerospace fasteners, [Hargis application; B&B registration]). In some cases, especially where the applicant has not actually begun to use the mark, the infringement action may involve a narrower set of goods than claimed in the application or registration, and the narrower set of goods may present less danger of confusion. *See, e.g., Levi Strauss & Co. v. Abercrombie & Fitch Trading Co.*, 719 F.3d 1367, 1373 (Fed. Cir. 2013) (jury's no-likelihood-of-confusion verdict as to products from a single line of clothing did not preclude the Board from finding a likelihood of confusion as to a registration claiming *all* "jeans, skirts, shorts, pants and jackets"). But where the goods recited in the registration are the same goods in actual use, and the market conditions have not changed, there will be no factual obstacle to preclusion.

That is the case here. Hargis's theory before the district court was exactly the same as its theory before the Board: that B&B's SEALTIGHT mark appears on aerospace fasteners, Hargis's SEALTITE mark appears on construction fasteners, and the two products are sufficiently distinct to overcome the similarity of the marks. *E.g.*, JA229a-30a, 280a-85a. Once the first tribunal rejected that theory, Hargis was no longer entitled to press it before a second.

If some significant factual difference could have justified relitigating the same defense, it was Hargis's burden to identify it. *See, e.g., DeCosta v. Viacom Int'l, Inc.*, 981 F.2d 602, 610-11 (1st Cir. 1992) (Breyer, C.J.) (in a likelihood-of-confusion case, placing the burden on the litigant who lost the first ac-

tion to show "significantly different circumstances"); *accord Restatement (Second) of Judgments* § 27 cmt. c; *Liberty Mut. Ins. Co. v. FAG Bearings Corp.*, 335 F.3d 752, 761-65 (8th Cir. 2003) (rejecting changed-circumstances argument by defendant relying on "new" evidence that it could have relied on in the earlier proceeding, but for its own lack of diligence). Yet below, Hargis never argued that *factual* distinctions separated the infringement action from the registration proceeding. Rather, all of Hargis's arguments were *legal* in nature. JA178a-99a, 346a-62a.

At the certiorari stage, B&B pointed out that there had been "no difference in scope" between the Board proceedings and the trial. Pet. 16 n.7. Hargis did not dispute that factual point, silently conceding it. *See* Br. in Opp. 33-35; Sup. Ct. R. 15.2.

Subsequently, Hargis belatedly asserted that the issues may differ because Hargis "always" uses the term SEALTITE "in the context of 'Sealtite Building Fasteners,'" and the Board did not consider that fact. Resp. Supp. Br. 12 (quoting Pet. App. 35a). That is doubly wrong. First, the evidence did not show (and no one testified) that Hargis *never* used SEALTITE standing alone;[37] to the contrary, Hargis's primary website was *www.sealtite.com*. JA240a-41a. Second, the context was before the Board. Pursuant to Board practice, Hargis provided the Board with a specimen of how it would use the mark SEALTITE in its labeling, including the words "Building Fasteners."[38] The

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[37] Hargis made that assertion in its postjudgment brief, without any citation, ECF No. 222, at 27 (Aug. 16, 2010), and the district court simply repeated it.

[38] *See* http://tsdr.uspto.gov/documentviewer?caseId=sn75129229&docId=SPE20041230131154.

use of the phrase "Building Fasteners" did not save Hargis from a finding of likelihood of confusion, and it does not save Hargis from issue preclusion, precisely because the Board definitively *rejected* Hargis's defense that building fasteners are sufficiently distinct from aerospace fasteners.

Significantly, Hargis has never argued that its operations are *geographically* distinct from B&B's or that sheer physical separation will prevent confusion. B&B sells fasteners primarily through nationwide distributors, as well as online. JA231a-34a. It accordingly sells in the same markets where Hargis does business (including the online market).[39]

Because Hargis has never identified any likelihood-of-confusion argument not precluded by the Board's decision, there is no need to remand the preclusion issue. The appropriate disposition is to reverse and remand for the district court to enter summary judgment for B&B on infringement: the Board's judgment resolves likelihood of confusion, and Hargis does not dispute the priority of B&B's mark or Hargis's use of the infringing mark in commerce. *See* JA146a (¶ 25), 133a-40a, 200a-07a. Further proceedings to determine a remedy would be appropriate.

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[39] If Hargis had such a geographic argument, it might not have been precluded from raising it in district court, because geographic arguments—uniquely—could not be raised before the Board in deciding B&B's opposition. The Board decides registration issues on a nationwide basis and therefore generally will not consider arguments that two products are geographically distinct, except in special "concurrent use" proceedings. 37 C.F.R. § 2.133(c); *see* 15 U.S.C. § 1052(d) (proviso). But this restriction applies only to geographic arguments, and as a factual matter Hargis has no geographic argument.

* * * *

Two tribunals in this case decided the same issue: do the nearly-identical marks SEALTITE and SEALTIGHT threaten to cause confusion, or are the parties' fasteners sufficiently different from one another as to keep the marks distinct in the consumer's eye? The question was the same, even if the answer might have different consequences in each case (registration versus infringement). Once the first tribunal answered the question, Hargis's remedy was to appeal. Instead, *seven years* after the final TTAB ruling, Hargis still disputes the likelihood of confusion. It is time to declare that issue closed.

CONCLUSION

The judgment of the court of appeals should be reversed, and the case should be remanded with instructions to enter judgment for B&B on infringment.

Respectfully submitted.

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APPENDIX

15 U.S.C. § 1052 provides in pertinent part:

Trademarks registrable on principal register; concurrent registration

No trademark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on the principal register on account of its nature unless it—

* * *

(d) Consists of or comprises a mark which so resembles a mark registered in the Patent and Trademark Office, or a mark or trade name previously used in the United States by another and not abandoned, as to be likely, when used on or in connection with the goods of the applicant, to cause confusion, or to cause mistake, or to deceive: *Provided*, That if the Director determines that confusion, mistake, or deception is not likely to result from the continued use by more than one person of the same or similar marks under conditions and limitations as to the mode or place of use of the marks or the goods on or in connection with which such marks are used, concurrent registrations may be issued to such persons when they have become entitled to use such marks as a result of their concurrent lawful use in commerce prior to (1) the earliest of the filing dates of the applications pending or of any registration issued under this chapter; (2) July 5, 1947, in the case of registrations previously

issued under the Act of March 3, 1881, or February 20, 1905, and continuing in full force and effect on that date; or (3) July 5, 1947, in the case of applications filed under the Act of February 20, 1905, and registered after July 5, 1947. Use prior to the filing date of any pending application or a registration shall not be required when the owner of such application or registration consents to the grant of a concurrent registration to the applicant. Concurrent registrations may also be issued by the Director when a court of competent jurisdiction has finally determined that more than one person is entitled to use the same or similar marks in commerce. In issuing concurrent registrations, the Director shall prescribe conditions and limitations as to the mode or place of use of the mark or the goods on or in connection with which such mark is registered to the respective persons.

(e) Consists of a mark which (1) when used on or in connection with the goods of the applicant is merely descriptive or deceptively misdescriptive of them, (2) when used on or in connection with the goods of the applicant is primarily geographically descriptive of them, except as indications of regional origin may be registrable under section 1054 of this title, (3) when used on or in connection with the goods of the applicant is primarily geographically deceptively misdescriptive of them, (4) is primarily merely a surname, or (5) comprises any matter that, as a whole, is functional.

* * * *

15 U.S.C. § 1063 provides in pertinent part:

Opposition to registration

(a) Any person who believes that he would be damaged by the registration of a mark upon the principal register, including the registration of any mark which would be likely to cause dilution by blurring or dilution by tarnishment under section 1125(c) of this title, may, upon payment of the prescribed fee, file an opposition in the Patent and Trademark Office, stating the grounds therefor, within thirty days after the publication under subsection (a) of section 1062 of this title of the mark sought to be registered. Upon written request prior to the expiration of the thirty-day period, the time for filing opposition shall be extended for an additional thirty days, and further extensions of time for filing opposition may be granted by the Director for good cause when requested prior to the expiration of an extension. The Director shall notify the applicant of each extension of the time for filing opposition. An opposition may be amended under such conditions as may be prescribed by the Director.

(b) Unless registration is successfully opposed—

(1) a mark entitled to registration on the principal register based on an application filed under section 1051(a) of this title or pursuant to section 1126 of this title shall be registered in the Patent and Trademark Office, a certificate of registration shall be issued, and notice of the registration shall be published in the Official Gazette of the Patent and Trademark Office; or

(2) a notice of allowance shall be issued to the applicant if the applicant applied for registration under section 1051(b) of this title.

* * * *

15 U.S.C. § 1064 provides in pertinent part:

Cancellation of Registration

A petition to cancel a registration of a mark, stating the grounds relied upon, may, upon payment of the prescribed fee, be filed as follows by any person who believes that he is or will be damaged, including as a result of a likelihood of dilution by blurring or dilution by tarnishment under section 1125(c) of this title, by the registration of a mark on the principal register established by this chapter, or under the Act of March 3, 1881, or the Act of February 20, 1905:

(1) Within five years from the date of the registration of the mark under this chapter.

(2) Within five years from the date of publication under section 1062(c) of this title of a mark registered under the Act of March 3, 1881, or the Act of February 20, 1905:

(3) At any time if the registered mark becomes the generic name for the goods or services, or a portion thereof, for which it is registered, or is functional, or has been abandoned, or its registration was obtained fraudulently or contrary to the provisions of section 1054 of this title or of subsection (a), (b), or (c) of

section 1052 of this title for a registration under this chapter, or contrary to similar prohibitory provisions of such prior Acts for a registration under such Acts, or if the registered mark is being used by, or with the permission of, the registrant so as to misrepresent the source of the goods or services on or in connection with which the mark is used. If the registered mark becomes the generic name for less than all of the goods or services for which it is registered, a petition to cancel the registration for only those goods or services may be filed. A registered mark shall not be deemed to be the generic name of goods or services solely because such mark is also used as a name of or to identify a unique product or service. The primary significance of the registered mark to the relevant public rather than purchaser motivation shall be the test for determining whether the registered mark has become the generic name of goods or services on or in connection with which it has been used.

* * * *

15 U.S.C. § 1065 provides in pertinent part:

Incontestability of right to use mark under certain conditions

Except on a ground for which application to cancel may be filed at any time under paragraphs (3) and (5) of section 1064 of this title, and except to the extent, if any, to which the use of a mark registered on the principal register infringes a valid right acquired under the law of any State or Territory by use of a mark or trade name continuing from a date prior to the date of registration under this chapter of

such registered mark, the right of the owner to use such registered mark in commerce for the goods or services on or in connection with which such registered mark has been in continuous use for five consecutive years subsequent to the date of such registration and is still in use in commerce, shall be incontestable: *Provided*, That—

(1)there has been no final decision adverse to the owner's claim of ownership of such mark for such goods or services, or to the owner's right to register the same or to keep the same on the register; and

(2)there is no proceeding involving said rights pending in the United States Patent and Trademark Office or in a court and not finally disposed of; and

(3)an affidavit is filed with the Director within one year after the expiration of any such five-year period setting forth those goods or services stated in the registration on or in connection with which such mark has been in continuous use for such five consecutive years and is still in use in commerce, and other matters specified in paragraphs (1) and (2) of this section; and

(4)no incontestable right shall be acquired in a mark which is the generic name for the goods or services or a portion thereof, for which it is registered.

* * * *

15 U.S.C. § 1067 provides in pertinent part:

Interference, opposition, and proceedings for concurrent use registration or for cancellation, notice, Trademark Trial and Appeal Board

(a) In every case of interference, opposition to registration, application to register as a lawful concurrent user, or application to cancel the registration of a mark, the Director shall give notice to all parties and shall direct a Trademark Trial and Appeal Board to determine and decide the respective rights of registration.

* * * *

15 U.S.C. § 1068 provides:

Action of Director in interference, opposition, and proceedings for concurrent use registration or for cancellation

In such proceedings the Director may refuse to register the opposed mark, may cancel the registration, in whole or in part, may modify the application or registration by limiting the goods or services specified therein, may otherwise restrict or rectify with respect to the register the registration of a registered mark, may refuse to register any or all of several interfering marks, or may register the mark or marks for the person or persons entitled thereto, as the rights of the parties under this chapter may be established in the proceedings: *Provided,* That in the case of the registration of any

mark based on concurrent use, the Director shall determine and fix the conditions and limitations provided for in subsection (d) of section 1052 of this title. However, no final judgment shall be entered in favor of an applicant under section 1051(b) of this title before the mark is registered, if such applicant cannot prevail without establishing constructive use pursuant to section 1057(c) of this title.

15 U.S.C. § 1071 provides in pertinent part:

Appeal to courts

(a) Persons entitled to appeal; United States Court of Appeals for the Federal Circuit; waiver of civil action; election of civil action by adverse party; procedure

(1) An applicant for registration of a mark, party to an interference proceeding, party to an opposition proceeding, party to an application to register as a lawful concurrent user, party to a cancellation proceeding, a registrant who has filed an affidavit as provided in section 1058 or section 1141k of this title, or an applicant for renewal, who is dissatisfied with the decision of the Director or Trademark Trial and Appeal Board, may appeal to the United States Court of Appeals for the Federal Circuit thereby waiving his right to proceed under subsection (b) of this section: *Provided,* That such appeal shall be dismissed if any adverse party to the proceeding, other than the Director, shall, within twenty days after the appellant has filed notice of appeal according to paragraph (2) of this section, files notice

with the Director that he elects to have all further proceedings conducted as provided in subsection (b) of this section. Thereupon the appellant shall have thirty days thereafter within which to file a civil action under subsection (b) of this section, in default of which the decision appealed from shall govern the further proceedings in the case.

* * *

(4) The United States Court of Appeals for the Federal Circuit shall review the decision from which the appeal is taken on the record before the United States Patent and Trademark Office. Upon its determination the court shall issue its mandate and opinion to the Director, which shall be entered of record in the United States Patent and Trademark Office and shall govern the further proceedings in the case. However, no final judgment shall be entered in favor of an applicant under section 1051(b) of this title before the mark is registered, if such applicant cannot prevail without establishing constructive use pursuant to section 1057(c) of this title.

(b) Civil action; persons entitled to; jurisdiction of court; status of Director; procedure

(1) Whenever a person authorized by subsection (a) of this section to appeal to the United States Court of Appeals for the Federal Circuit is dissatisfied with the decision of the Director or Trademark Trial and Appeal Board, said person may, unless appeal has been taken to said United States Court of Appeals for the Federal Circuit, have remedy by a civil action

if commenced within such time after such decision, not less than sixty days, as the Director appoints or as provided in subsection (a) of this section. The court may adjudge that an applicant is entitled to a registration upon the application involved, that a registration involved should be canceled, or such other matter as the issues in the proceeding require, as the facts in the case may appear. Such adjudication shall authorize the Director to take any necessary action, upon compliance with the requirements of law. However, no final judgment shall be entered in favor of an applicant under section 1051(b) of this title before the mark is registered, if such applicant cannot prevail without establishing constructive use pursuant to section 1057(c) of this title.

(2) The Director shall not be made a party to an inter partes proceeding under this subsection, but he shall be notified of the filing of the complaint by the clerk of the court in which it is filed and shall have the right to intervene in the action.

(3) In any case where there is no adverse party, a copy of the complaint shall be served on the Director, and, unless the court finds the expenses to be unreasonable, all the expenses of the proceeding shall be paid by the party bringing the case, whether the final decision is in favor of such party or not. In suits brought hereunder, the record in the United States Patent and Trademark Office shall be admitted on motion of any party, upon such terms and conditions as to costs, expenses, and the further cross-examination of the witnesses as the court imposes, without prejudice to the right of any party

to take further testimony. The testimony and exhibits of the record in the United States Patent and Trademark Office, when admitted, shall have the same effect as if originally taken and produced in the suit.

(4) Where there is an adverse party, such suit may be instituted against the party in interest as shown by the records of the United States Patent and Trademark Office at the time of the decision complained of, but any party in interest may become a party to the action. If there are adverse parties residing in a plurality of districts not embraced within the same State, or an adverse party residing in a foreign country, the United States District Court for the District of Columbia shall have jurisdiction and may issue summons against the adverse parties directed to the marshal of any district in which any adverse party resides. Summons against adverse parties residing in foreign countries may be served by publication or otherwise as the court directs.

15 U.S.C. § 1114 provides in pertinent part:

Remedies; infringement; innocent infringement by printers and publishers

(1) Any person who shall, without the consent of the registrant—

(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or

services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or

(b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive,

shall be liable in a civil action by the registrant for the remedies hereinafter provided. Under subsection (b) hereof, the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such imitation is intended to be used to cause confusion, or to cause mistake, or to deceive.

* * * *

15 U.S.C. § 1117 provides in pertinent part:

Recovery for violation of rights:

(a) Profits; damages and costs; attorney fees
When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, a violation under section 1125(a) or (d) of this title, or a willful violation under section 1125(c) of this title, shall have been established in any civil action arising

under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed. In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty. The court in exceptional cases may award reasonable attorney fees to the prevailing party.

* * * *

15 U.S.C. § 1119 provides:

Power of court over registration

In any action involving a registered mark the court may determine the right to registration, order the cancelation of registrations, in whole or in part, restore canceled registrations, and otherwise rectify the register with respect to the registrations of any party to the action. Decrees and orders shall be certified by the court to the Director, who shall make appropriate entry upon the records of the Patent and Trademark Office, and shall be controlled thereby.

15 U.S.C. § 1125 provides in pertinent part:

False designations of origin, false descriptions, and dilution forbidden

(a) Civil action

(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—

(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her

goods, services, or commercial activities by another person, or

(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,

shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

* * * *

RESPONDENT'S BRIEF

No. 13-352

IN THE

Supreme Court of the United States

B&B HARDWARE, INC.,
Petitioner,

v.

HARGIS INDUSTRIES, INC.,
Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Eighth Circuit

BRIEF FOR RESPONDENT

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QUESTIONS PRESENTED

Under the Trademark Act of 1946 (Lanham Act), a person may not register a mark that "*so resembles*" an existing mark "as to be likely, when used in connection with the goods of the applicant, to cause confusion." 15 U.S.C. § 1052(d) (emphasis added). Anyone with an existing mark may oppose registration on that basis before the Trademark Trial and Appeal Board (Board or TTAB), an administrative agency, which may grant or deny registration based on the "resembl[ance]" of the marks. *See id.*

By contrast, when one party sues another in court for federal trademark infringement, the issue is how the defendant "use[s] in commerce" its mark "in connection with the sale * * * or advertising of any goods," and liability turns on whether "*such use* is likely to cause confusion." *Id.* § 1114(1)(a) (emphasis added). A jury typically decides this question, based on the actual, commercial "use" of the marks in dispute. *See id.*

The questions presented are:

1. Whether the Board's finding in an administrative registration proceeding that a mark "so resembles" another as to be likely to cause confusion precludes litigation over whether the actual "use" of the mark in commerce is likely to cause confusion.

2. If not, whether a court in an infringement suit considering the actual "use" of a mark in commerce should give any weight to the Board's finding in a registration proceeding that the mark "so resembles" another as to be likely to cause confusion.

RULE 29.6 DISCLOSURE STATEMENT

Hargis Industries, Inc., which does business as Sealtite Building Fasteners, does not have any parent corporation, and no publicly held company owns ten percent or more of its stock.

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Trademark Trial and Appeal Board Manual of Procedure (2014)

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IN THE

Supreme Court of the United States

No. 13-352

B&B HARDWARE, INC.,
Petitioner,

v.

HARGIS INDUSTRIES, INC.,
Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Eighth Circuit

BRIEF FOR RESPONDENT

INTRODUCTION

This case arises under the Lanham Act, 15 U.S.C. §§ 1051-1141*n*. For over 16 years, B&B has embroiled the parties in litigation through two successive federal trademark infringement suits against Hargis over its use of the "Sealtite" mark. Twice, B&B failed: two separate juries, reaching verdicts ten years apart, concluded that Hargis is not infringing B&B's registered "Sealtight" mark. As B&B itself states, "[i]t is time to declare th[e] issue closed." B&B Br. 57.

B&B nevertheless presses on. Unable to convince a jury, B&B now asks this Court to set aside the most recent verdict and enter judgment against Hargis for unlawful infringement on the basis of the TTAB's decision not to register "Sealtite." But B&B's request

runs contrary to basic principles of administrative preclusion.

The TTAB's registration determination should not have preclusive effect in an infringement action because critical aspects of registration proceedings and infringement litigation are different; only the parties and their respective marks are the same. The adjudicative bodies are different; the statutory standards are different; the available procedures are different; and the permissible evidence is different. All of these critical distinctions stem from the fact that administrative registration and infringement litigation serve fundamentally different purposes. Registration's primary function is essentially prophylactic: it constitutes *notice* of a registrant's asserted right to the registered trademark. It does not *create* rights to use the mark; it has no injunctive effect; and it does not alter the existing usage rights of others. The question of who may *use* a particular mark is instead left to the remedial (infringement) provisions of the Lanham Act and the powers of enforcement available only to courts.

Given these distinct purposes, the scope of analysis between the two proceedings is necessarily different. For infringement, an Article III court or jury *must consider* the disputed mark in its entire marketplace context, including the mark's format and accompanying house marks; the packaging, placement, and price of the goods bearing the mark; and the targeted class of purchasers. In registration proceedings, by contrast, the TTAB, an administrative body, *must ignore* packaging, display, house marks, and any characteristics of the goods or purchasers beyond those described in the application to register. In

short, the two proceedings simply do not share common substantive or procedural ground.

Nor did Congress intend them to; the Lanham Act makes clear that registration is based on a hypothetical world presented by the application materials, in which the applicant makes all possible uses of its mark, whereas infringement is based on real-world usage. The statutory language reflects this distinction: although both the registration and the infringement provisions use the phrase "likely to cause confusion" (plus or minus an ellipsis), the text directs *different adjudicators* to evaluate *different subjects* of confusion. For registration, the TTAB decides if the "resembl[ance]" between the marks—as set forth in the application and registration materials—is confusingly similar, 15 U.S.C. § 1052(d); for infringement, a jury decides if the marks' actual "use in commerce" is confusingly similar, 15 U.S.C. § 1114(1)(a). It would therefore contravene the plain statutory text to conflate these two provisions and hold that they resolve the same issue.

Moreover, preclusion in this context would raise serious constitutional questions under both Article III and the Seventh Amendment. The protections afforded by these constitutional provisions are absent from registration proceedings, but they are critical to infringement litigation. This very case shows why: The Board, based on limited evidence of market usage and focusing heavily on the similarity between the sight and sound of B&B's and Hargis's marks, found that Hargis' mark "so resembles" B&B's mark "as to be likely to cause confusion." Pet. App. 71a. But once Hargis was able to avail itself of the evidentiary and procedural advantages of a full Article III

jury trial, it had no difficulty establishing that it did not "use[] the Sealtite mark in a manner that is likely to cause confusion" with B&B's. Pet. App. 33a. In fact, B&B's case for infringement was so weak that it "went to great lengths to manufacture evidence in support of its claim," drawing sanctions from the district court for its duplicity. Pet. App. 13a. The jury saw through this deception and unanimously concluded that Hargis had not infringed B&B's mark. J.A. 330a.

The Eighth Circuit properly affirmed the jury's verdict. This Court should do the same.

STATEMENT

I. STATUTORY BACKGROUND

This case concerns two trademark-related proceedings: administrative registration and infringement litigation. These two proceedings developed in different historical contexts; they are decided by different adjudicative bodies; and they are governed by different standards.

A. U.S. Trademark Law Has Always Treated Registration And Infringement Differently.

1. Trademark registration and trademark infringement arise out of distinct historical traditions. The American concept of trademark infringement derives from English common law. 1 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 5:2 (4th ed. 2014). Courts have long recognized that "[t]he right to adopt and use a symbol or a device to distinguish the goods or property made or sold by the person whose mark it is, to the

exclusion of use by all other persons," is "a property right for the violation of which damages may be recovered in an action at law." *In re Trademark Cases*, 100 U.S. 82, 92 (1879). Unlike in civil-law jurisdictions where trademark rights derive from registration, "[t]his exclusive right was not created by the act of Congress, and does not * * * depend upon it for its enforcement." *Id.*

Registration, by contrast, *is* a product of legislation, designed to make it easier to protect common-law trademark rights. Congress passed the first statute providing for trademark registration in 1870, spurred by the United States' entry into several treaties requiring it to create a registry to protect foreign trademarks. *See* Zvi S. Rosen, *In Search of the Trademark Cases*, 83 ST. JOHN'S L. REV. 827, 834-842 (2009). The resulting federal register was a means to protect trademark rights, but it did not purport to create any right to use a trademark. *See* Act of July 8, 1870, §§ 77-84, 16 Stat. 210-212.

2. While registration and infringement have different historical origins, both were part of the 1870 Act. In this first statute, and every one following it, Congress drew clear substantive and procedural distinctions between the two types of proceedings.

a. The 1870 Act allowed trademark owners to "obtain protection for [a] lawful trade-mark" by applying for registration. *Id.* § 77, 16 Stat. 210. The newly created Patent Office screened applicants' marks based on their "resembl[ance]" to previously registered marks: Registration was prohibited where the applicant's trademark "is identical with a trademark * * * already registered or received for registration, or which *so nearly resembles* such last-

mentioned trade-mark as to be likely to deceive the public." *Id.* § 79, 16 Stat. 211 (emphasis added).

Congress never departed from this basic standard. In each subsequent enactment, registration depended on "resembl[ance]" and was determined by an administrative agency. In the Trade-Mark Act of March 3, 1881, ch. 138, § 3, 21 Stat. 503, the Patent Office was precluded from registering any mark "which *so nearly resembles* some other person's lawful trade-mark as to be likely to cause confusion or mistake in the mind of the public, or to deceive purchasers." *Id.* (emphasis added). Again in the Trade-Mark Act of February 20, 1905, ch. 592, § 5(b), 33 Stat. 725-726, registration was barred if the applicant's mark "*so nearly resembles* a registered or known trade-mark owned and in use by another * * * as to be likely to cause confusion or mistake in the mind of the public, or to deceive purchasers." *Id.* (emphasis added).

The Lanham Act is no different. Like its predecessors, it prohibits registration of "a mark which *so resembles* a mark registered in the Patent and Trademark Office [PTO], or a mark or trade name previously used in the United States by another and not abandoned, as to be likely, when used on or in connection with the goods of the applicant, to cause confusion, or to cause mistake, or to deceive." 15 U.S.C. § 1052(d) (emphasis added). And like its predecessors, the Lanham Act places responsibility for the registration determination in the hands of PTO examining attorneys and, since 1958, the TTAB. 15 U.S.C. § 1067; Act of Aug. 8, 1958, Pub L. No. 85-609, 72 Stat. 540.

b. The law on infringement, by contrast, has long hinged on the wrongful *use* of another's trademark and has always been decided by Article III courts (or their state counterparts). The 1870 Act codified the common law and created a federal cause of action against "[a]ny person * * * who shall reproduce, counterfeit, copy, or imitate any such recorded trademark and affix the same" to substantially similar goods. § 79, 16 Stat. 211. The infringer was liable at law "for damages for such *wrongful use* of said trademark," and the registrant could also seek "to enjoin the *wrongful use* of his trade-mark." *Id.* (emphases added).

Infringement's focus on actual use remained constant throughout subsequent enactments. The 1881 Act provided that a trademark infringer "shall be liable to an action on the case for damages for the *wrongful use* of said trade-mark, at the suit of the owner thereof." § 7, 21 Stat. 503-504 (emphasis added). And the 1905 Act similarly provided that anyone who "shall *use* * * * such reproduction, counterfeit, copy, or colorable imitation in commerce * * * shall be liable to an action for damages therefor at the suit of the owner thereof." § 16, 33 Stat. 728 (emphasis added).

So, too, with the Lanham Act. In the federal system, trademark infringement remains the exclusive province of Article III courts, and the dispositive inquiry remains the alleged infringer's actual use of the mark: "Any person who shall * * * *use in commerce* any reproduction, counterfeit, copy, or colorable imitation of a registered mark," where "*such use* is likely to cause confusion, or to cause mistake, or to deceive," "shall be liable in a civil action by the regis-

trant for the remedies hereinafter provided." 15 U.S.C. § 1114(1)(a) (emphases added).

B. Registration Proceedings Before The Board Are Not Comparable To Infringement Litigation.

Given the distinctions between the statutory questions involved and the adjudicative bodies resolving them, it comes as no surprise that registration proceedings before the Board are quite unlike trademark litigation before an Article III court.

1. a. Registration starts with an application. 15 U.S.C. § 1051. If the application is unopposed, an examining attorney determines whether registration is warranted on an *ex parte* basis. *See* 15 U.S.C. § 1062; 37 C.F.R. §§ 2.61-2.64, 2.80. But if a third party "believes that he would be damaged by the registration of a mark" and files an opposition to the application, the matter is treated as an *inter partes* proceeding adjudicated by the TTAB. *See* 15 U.S.C. §§ 1063, 1067(a); 37 C.F.R. §§ 2.101-2.107, 2.116-2.136. The jurisdiction of the Board is limited: it may "determine and decide the respective rights of registration." 15 U.S.C. § 1067(a). But "the Board is not authorized to determine the right to use, nor may it decide broader questions of infringement or unfair competition." Trademark Trial and Appeal Board Manual of Procedure § 102.01 (2014) (hereinafter TTAB Manual); *accord* 3 *McCarthy on Trademarks* § 20:99.

In an *inter partes* proceeding, the parties are able to conduct some discovery, but "[t]he scope of discovery in Board proceedings * * * is generally narrower than in court proceedings, especially those involving

infringement and/or where both parties have made extensive use of the marks." TTAB Manual § 402.01; *accord* Brief of the International Trademark Association (INTA) as *Amicus Curiae* in Support of Neither Party 22.

After the discovery period is complete, the parties proceed to a testimony period. Board proceedings depart from normal civil litigation most markedly in this phase. "The principal difference is that proceedings before the Board are conducted in writing, and the Board's actions in a particular case are based upon the written record therein." TTAB Manual § 102.03; *see* 37 C.F.R. § 2.191. Testimony is taken through transcribed trial depositions, outside of the presence of the Board. 37 C.F.R. § 2.123(a)(1), (e)(3). A party may request oral argument before the Board, but not an evidentiary hearing. *Id.* § 2.129.

b. A three-judge panel resolves the registration dispute, with one judge assigned to read the record and draft a proposed decision. TTAB Manual § 803. When an opposition is based on a senior user's claim that the applicant's mark confusingly resembles the senior user's mark, the Board decides whether there is a likelihood of confusion by using the thirteen factors identified in *In re E.I. du Pont de Nemours & Co.*, 476 F.2d 1357 (C.C.P.A. 1973). Two of those factors are "key considerations": (1) "[t]he similarity or dissimilarity of the marks in their entireties as to appearance, sound, connotation[,] and commercial impression," and (2) "[t]he relatedness of the goods or services as described in the application and registration(s)." Trademark Manual of Examining Procedure § 1207.01 (2014) (hereinafter Trademark Examining Manual); *accord* 3 *McCarthy on Trademarks* § 20:14.

When the Board evaluates the likelihood of confusion, "it is the mark as shown in the application and as used on the goods described in the application which must be considered, not the mark as actually used by the applicant." 3 *McCarthy on Trademarks* § 20:15. Crucial elements like packaging and design, as well as "any evidence about the actual nature of the goods, trade channels, or classes of purchasers," are disregarded. Adam L. Brookman, *Trademark Law: Protection, Enforcement, and Licensing* § 6.04[B][1][e] (2d ed. 2014); *see also* 3 *McCarthy on Trademarks* § 20:15; INTA *Amicus* Br. 16-17.

c. After the Board issues its decision, any party "who is dissatisfied with the decision" may either appeal to the Federal Circuit or file a civil action in district court seeking review. 15 U.S.C. § 1071; TTAB Manual § 901.01; 3 *McCarthy on Trademarks* § 21:10. Appeals to the Federal Circuit are limited to the record before the Board. 15 U.S.C. § 1071(a)(4); TTAB Manual § 901.01; 3 *McCarthy on Trademarks* § 21:16. The Federal Circuit reviews the Board's findings of fact under the Administrative Procedure Act's substantial-evidence standard, its evidentiary rulings under the abuse-of-discretion standard, and its legal conclusions *de novo*. 3 *McCarthy on Trademarks* § 21:17.50.

Civil actions for review filed in district court, by contrast, are not limited to the administrative record. A party may introduce new evidence and raise new claims. And, if there is any new evidence, the district court must make *de novo* factual findings. TTAB Manual § 906.01; 3 *McCarthy on Trademarks* § 21:20; Brief for the United States as *Amicus Curiae* Supporting Petitioner 6; *cf. Kappos* v. *Hyatt*, 132 S.

Ct. 1690, 1701 (2012) (interpreting analogous language in 35 U.S.C. § 145 as requiring *de novo* review). Specifically, "[t]he court may adjudge that an applicant is entitled to a registration upon the application involved, that a registration involved should be canceled, or such other matter as the issues in the proceeding require, as the facts in the case may appear." 15 U.S.C. § 1071(b)(1). Aggrieved parties may appeal adverse district court decisions to the regional courts of appeals. 3 *McCarthy on Trademarks* § 21:22.50.

d. The Lanham Act confers four principal benefits to those able to register their marks. First, registration serves as "constructive notice of the registrant's claim of ownership" of the mark. 15 U.S.C. § 1072. Second, registration constitutes "prima facie evidence of the validity of the registered mark and of the registration of the mark, of the owner's ownership of the mark, and of the owner's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the certificate." *Id.* § 1057(b); *accord id.* § 1115(a). Third, once a mark has been registered for five years, the grounds on which another party may seek cancellation of the registration are limited to those expressly provided by statute. *Id.* § 1064. Fourth, also after five years, if the registrant meets certain additional requirements,[1] the mark becomes "incontestable"

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[1] More specifically, the mark becomes incontestable if "(1) there has been no final decision adverse to the owner's claim of ownership * * * or * * * right to register," "(2) there is no proceeding involving said rights pending," and "(3) an affidavit is filed with the Director within one year after the expira-

under § 1065, and the registration is treated as "conclusive evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce," although "[s]uch conclusive evidence of the right to use the registered mark shall be subject to proof of infringement." *Id.* § 1115(b).

2. a. Unlike registration proceedings, federal infringement actions—brought under 15 U.S.C. § 1114 for registered marks, 15 U.S.C. § 1125 for unregistered marks, or the common law—are filed in Article III courts. They follow traditional civil discovery and litigation procedures, and the parties are entitled to a jury trial. *See Dairy Queen, Inc.* v. *Wood*, 369 U.S. 469, 477, 479-480 (1962).

To prove trademark infringement, the plaintiff must show (i) prior ownership of a valid trademark, and (ii) that the defendant is using a mark in a manner that is likely to cause confusion. *See* 15 U.S.C. § 1114(1); *KP Permanent Make-Up, Inc.* v. *Lasting Impression I, Inc.*, 543 U.S. 111, 117 (2004). The regional courts of appeals have adopted different multi-factor tests to help them evaluate whether the defendant's actual use is confusing, and these tests include factors similar to the *du Pont* factors that the TTAB considers during registration. *See* 2 Anne Gilson Lalonde, *Gilson on Trademarks* § 5.02 (2014); 4 *McCarthy on Trademarks* §§ 24:30-24:43; *see also, e.g.*, *SquirtCo* v. *Seven-Up Co.*, 628 F.2d 1086, 1090-1091 (8th Cir. 1980) (setting forth a six-factor test).

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tion of any such five-year period" attesting to these facts. 15 U.S.C. § 1065.

Because a defendant's allegedly wrongful use of another's mark is center stage in infringement litigation, however, real-world use of the marks is of essential importance: "the court must attempt to recreate the conditions under which prospective purchasers make their choices." 4 *McCarthy on Trademarks* § 23:58. The decision-maker must "analyze the similarity of the products in light of the way in which the marks are actually displayed in their purchasing context." *Id.* (quotation marks omitted). So unlike in registration proceedings where the Board must limit its analysis to the mark as shown in the application, 3 *McCarthy on Trademarks* § 20:15, the entire context of the defendant's marketplace usage—including display, packaging, and purchasers—is what matters in infringement suits. *See, e.g.*, 4 *McCarthy on Trademarks* §§ 23:43, 23:52, 23:60, 24:51, 24:52.

b. The end result of an infringement suit is a full adjudication on the merits of the defendant's right to use its claimed mark. If the defendant is found liable, the Lanham Act provides a number of remedies that are unavailable in registration proceedings. A prevailing plaintiff may obtain money damages in the form of defendant's profits, up to three times the plaintiff's actual damages, costs, attorneys' fees, and injunctive relief against the defendant's use of the challenged mark. 15 U.S.C. §§ 1116(a), 1117(a).

II. FACTUAL AND PROCEDURAL BACKGROUND

A. Underlying Facts

B&B is a California business that uses the mark "Sealtight," registered in October 1993, for use in

connection with "self-sealing" fasteners, "all having a captive o-ring, for use in the aerospace industry." J.A. 223a (capitalization removed). B&B's fasteners are designed for use in high-pressure environments and sealing applications. *Id.*; Pet. App. 35a; 6 Trial Tr. 1032-1033 (E.D. Ark. No. 4:06-cv-1654, Doc. 267). B&B thus markets to entities such as NASA, Boeing, and the military, and claims that its fasteners are designed for equipment ranging from the space shuttle to underwater cameras. Pet. App. 35a.

Hargis is based in Tyler, Texas. 5 Trial Tr. 781 (E.D. Ark. No. 4:06-cv-1654, Doc. 266). It markets its products under the name "Sealtite Building Fasteners" and has used the "Sealtite" mark since it opened its business in January 1992. *Id.* at 723, 781. Hargis sells sheeting screws (also known as construction fasteners), which are designed to attach sheet metal to wood or steel building frames. *Id.* at 756-757, 836-837; Pet. App. 35a; J.A. 70a. The Hargis fastener is not made for high-pressure applications. 5 Trial Tr. 761 (E.D. Ark. No. 4:06-cv-1654, Doc. 266); 6 Trial Tr. 1033 (E.D. Ark. No. 4:06-cv-1654, Doc. 267); Pet. App. 35a, 57a-58a. Hargis sells to a highly specialized construction market. 5 Trial Tr. 756 (E.D. Ark. No. 4:06-cv-1654, Doc. 266).

In actual use, therefore, the two products "are distinctly and vastly different in their features and characteristics, functions and applications, and pricing structure," and "there is no possible cross-over between the two companies' products." Pet. App. 35a. The parties are not, and never have been, in competition, directly or indirectly. *Id.*

B. Hargis's Application To Register Sealtite, The Cancellation Proceedings, And The First Infringement Litigation

Hargis applied to register its mark in 1996, for use in connection with "self-piercing and self-drilling metal screws for use in the manufacture of metal and post-frame buildings." J.A. 70a (capitalization removed). An examining attorney refused Hargis's registration in December of the same year, J.A. 75a-81a, concluding that Hargis's mark "so resembles" B&B's previously registered mark "as to be likely to cause confusion," J.A. 76a.

Hargis's counsel attempted to establish contact with B&B, but was unsuccessful. Accordingly, counsel assumed that the Sealtight mark was likely abandoned, and Hargis petitioned to cancel B&B's registration in March 1997. *See* Pet. App. 45a. In response, B&B appeared before the Board, opposed the cancellation, and also sued Hargis in court for trademark infringement. J.A. 83. Hargis responded to the infringement lawsuit by arguing, among other things, that B&B's mark was not subject to trademark protection because "Sealtight" was merely descriptive of B&B's goods. *Id.*

The civil case was tried to a jury, and in May 2000, the jury returned a verdict in favor of Hargis, finding that B&B's mark was merely descriptive and had not acquired secondary meaning. *Id.* The Eighth Circuit affirmed. *B&B Hardware, Inc.* v. *Hargis Indus., Inc.*, 252 F.3d 1010, 1013 (8th Cir. 2001).

Following resolution of the civil action, in December 2001, the Board resumed Hargis's cancellation proceeding (which had been stayed pending the outcome of litigation at B&B's request). J.A. 84a. The

Board noted that the original cancellation petition was based on abandonment rather than the mere descriptiveness of B&B's mark; it therefore gave Hargis leave to file an amended petition. *Id.* Hargis did so, and B&B opposed on the ground that B&B's mark had been registered for over five years, so Hargis could no longer make a descriptiveness challenge under 15 U.S.C. § 1064. J.A. 85a.

The Board initially concluded that Hargis was *not* barred from making a descriptiveness challenge because PTO proceedings over a still-contestable registered mark typically toll the five-year contestability period for that mark. J.A. 90a-91a. But upon B&B's motion, the Board reconsidered and dismissed Hargis's petition in June 2003. J.A. 99a.

C. Opposition Proceedings And The Second Infringement Litigation

During the pendency of the cancellation proceeding, Hargis submitted supplemental materials to the examiner assigned to its registration application. The examiner withdrew its previous refusal, approved Hargis's application for registration, and published Hargis's mark for opposition. PTO U.S. Serial No. 75129229, Aug. 29, 2002 Trademark Examination Worksheet.[2] In February 2003, B&B filed an opposition, claiming that Hargis's mark was confusingly similar to B&B's prior mark. J.A. 100a-101a. B&B also filed a second civil infringement action against Hargis. J.A. 32a-51a. Because of these dual filings, the opposition proceeding before the TTAB

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[2] Available at http://tsdr.uspto.gov/documentviewer?caseId=sn75129229&docId=UOT20050104093946.

and the infringement litigation before the district court proceeded on parallel tracks.[3]

The Board reached its decision first, in August 2007. It sustained B&B's opposition and denied registration of "Sealtite" on the ground that Hargis's mark so resembled B&B's mark as to be likely to cause confusion. Pet. App. 71a. In making its ruling, the Board expressly recognized the narrowness of the issue before it, as well as the strange posture of the proceedings in light of the prior civil judgment against B&B: "we find ourselves in the unusual situation whereby opposer is precluded from enjoining applicant from using its mark, but opposer may nevertheless prevent applicant from registering its mark." Pet. App. 48a. It further noted that, in finding a likelihood of confusion, the factors bearing on the analysis were mixed.

Specifically, the Board concluded that: (i) B&B's mark is not famous, Pet. App. 56a; (ii) the two marks "are substantially similar," *id.*; (iii) "[b]oth parties use their marks to identify fasteners," which means "the products are intrinsically related," even though

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[3] Immediately prior to filing the second infringement action, and unbeknownst to Hargis, B&B filed an affidavit of incontestability with the PTO under 15 U.S.C. § 1065. *See* PTO U.S. Registration No. 1797509, June 28, 2006 Declaration of Incontestability, *available at* http://tsdr.uspto.gov/documentviewer?caseId=sn74056236&docId=S152006062916072 2#docIndex=4&page=1. Despite the May 2000 adverse judgment holding that B&B's mark was merely descriptive and had not acquired secondary meaning, B&B attested that "[t]here has been no final decision adverse to the owner's claim of ownership of such mark for such goods and/or services, or to the owner's right to register the same or to keep the same on the register." *Id.*

they are used "for different purposes," Pet. App. 57a, 61a; (iv) the parties "sell their fasteners for different applications in different industries," Pet. App. 64a; (v) evidence regarding the degree of customer care "was simply not developed in sufficient detail to permit [the Board] to draw any conclusions," Pet. App. 67a-68a; and (vi) evidence of actual confusion, although "not especially compelling," did "lend support" to a finding of confusion, Pet. App. 70a. Reasoning that the "most critical" factors were the "similarities of the marks and the similarity of the goods," the Board found a likelihood of confusion. Pet. App. 70a-71a. The Board also pointed out that, in reaching this conclusion, it had resolved all doubts in favor of B&B as the senior mark user. Pet. App. 71a.

Less than a month later, the district court dismissed B&B's second infringement action on the ground that it was precluded by the judgment dismissing with prejudice B&B's first infringement action. Sept. 13, 2007 Mem. Op. (E.D. Ark. No. 4:06-cv-1654, Doc. 36). With this second dismissal, Article III courts had confirmed Hargis's right to use "Sealtite" without infringing B&B's mark twice over. And because Hargis's right to use its mark was its paramount concern, Hargis did not expend resources to appeal the Board's refusal to register its mark.

B&B, on the other hand, did appeal the district court's preclusion decision, and the Eighth Circuit reversed. J.A. 65a. The court of appeals concluded that the only disputed issue was the likelihood of confusion; Hargis could not challenge the validity of B&B's mark on descriptiveness grounds because the court viewed the mark as incontestable. J.A. 61a-62a. And although likelihood of confusion was liti-

gated in the first infringement case, the court found that because the jury never reached the issue after it decided B&B's mark was merely descriptive, collateral estoppel did not apply. J.A. 62a. Hargis filed a petition for a writ of certiorari, asserting that the final judgment in the first infringement suit precluded the second suit, but this Court declined review. 558 U.S. 1113 (2010).

D. Second Jury Trial On Infringement

On remand, Hargis answered B&B's infringement complaint and asserted counterclaims for, among other things, false advertising and false designation of origin, related to B&B's efforts to fabricate evidence of confusion. J.A. 160a-163a. Pursuant to the demands of both parties, the case proceeded to trial by jury. J.A. 32a-33a; Am. Compl. 14 ¶ 11 (E.D. Ark. 4:06-cv-1654, Doc. 114); Answer to Am. Compl. 19 ¶ 7 (E.D. Ark. 4:06-cv-1654, Doc. 149). The trial lasted seven days, and the jury heard testimony from ten witnesses. Trial Trs. (E.D. Ark. 4:06-cv-1654, Docs. 263-268). Although the court permitted B&B to introduce evidence and argue that the Board had declined to register Hargis's mark due to the similarity of Hargis's and B&B's marks, the court declined to admit any of the TTAB decisions into evidence because it did not want to confuse the jury. J.A. 219a, 246a-251a. At the conclusion of the trial, the jury returned a unanimous verdict rejecting B&B's trademark infringement and related claims, specifically finding that there was no likelihood of confusion. J.A. 330a-332a. The jury also found B&B liable for false advertising and false designation of origin. *Id.*

In light of B&B's fraudulent conduct before and during trial, which included the presentation of fabricated evidence and false testimony, Hargis moved for attorneys' fees. J.A. 364a-369a. The district court agreed that "this is an exceptional case in which the award of fees is justified." J.A. 375a. It explained that "[t]he evidence is overwhelming that B&B engaged in efforts to manufacture the appearance of confusion" and had made "a willful and deliberate attempt to manufacture evidence to support its trademark infringement claim." *Id.*

B&B moved for judgment as a matter of law on Hargis's counterclaims and sought a new trial on its infringement claim based on the district court's refusal to give preclusive effect, or at least deference, to the Board's likelihood-of-confusion finding. J.A. 335a-345a. The court denied B&B's motion. Pet. App. 21a-38a. In relevant part, the court concluded that preclusion was not mandated by precedent because the Eighth Circuit had never held that collateral estoppel applies to TTAB decisions, and the Board's decision was not otherwise entitled to deference because "the evidence introduced at trial, in character and amount, established the contrary of the TTAB's finding of likelihood of confusion with thorough conviction." Pet. App. 27a-28a.

E. Decision on Review

B&B appealed, and the Eighth Circuit affirmed in all relevant respects.[4] It agreed with the district

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[4] The Eighth Circuit affirmed the award of attorneys' fees to Hargis, but remanded for the district court to deduct the fees incurred by Hargis as a result of B&B's prior, successful appeal. Pet. App. 13a-14a.

court's refusal to give preclusive effect to the Board's likelihood-of-confusion finding. The court assumed that collateral estoppel "may be appropriate where administrative agencies are acting in a judicial capacity," Pet. App. 7a, but concluded that collateral estoppel was not appropriate here because the Board had based its decision regarding registration on the similarity of the two marks, while placing little emphasis on "a critical determination of trademark infringement, that being the marketplace usage of the marks and products," Pet. App. 10a. Given this constellation of facts—marks that are similar on paper but, in reality, are used on vastly different products specifically designed for different applications and marketed to different customers, who exercise considerable care in their purchasing decisions, with no credible evidence of actual confusion—the court of appeals concluded that the Board "did not decide the same likelihood-of-confusion issues presented to the district court in this infringement action." *Id.* It likewise rejected B&B's claim that the district court was required to give deference to the Board's bottom-line conclusion regarding likelihood of confusion. Pet. App. 12a. Alternatively, the Eighth Circuit held that the different burdens B&B faced in the registration and infringement actions—*i.e.*, all doubts were resolved in its favor before the TTAB, but it carried the burden in the infringement litigation—were alone a sufficient basis to deny preclusion. Pet. App. 10a-11a.

Judge Colloton dissented on three grounds. Pet. App. 14a-20a. First, he disagreed with the majority's "apparent" conclusion that collateral estoppel never applies to Board decisions. Pet. App. 17a. Second, he explained his view that the likelihood-of-confusion

issue decided in registration proceedings is the same issue as the one litigated in infringement actions, reasoning that modest differences between the factors considered in the two proceedings, or the court's disagreement with the balance struck by the Board, did not justify dispensing with preclusion. Pet. App. 17a-19a. Third, he stated that non-dispositive differences in burdens of persuasion between two proceedings do not make the issues decided in each distinguishable and, in any event, the Board's resolution of all doubts in favor of B&B was not material to its decision. Pet. App. 19a-20a.

B&B's petition for certiorari followed, and this Court granted review.

SUMMARY OF ARGUMENT

This case asks whether an administrative agency's refusal to register a junior mark—because the agency believes that the mark confusingly resembles a registered, senior mark—precludes a jury in a trademark-infringement suit from deciding for itself whether the real-world use of the junior mark is likely to cause confusion. The answer to that question is no.

I. The primary reason why preclusion should not apply in cases like this is because TTAB decisions are not binding on Article III courts. A contrary ruling would defy the text and structure of the Lanham Act, frustrate the policies of preclusion, and violate the canon of constitutional avoidance.

Controlling precedent establishes that administrative decisions are preclusive only to the extent Congress intends them to be. As relevant to this case, three aspects of the Lanham Act show that Congress

did not intend administrative TTAB decisions to have preclusive effect in Article III courts.

First, administrative registration proceedings and infringement litigation serve different purposes and decide different rights under the Act. Registration proceedings offer a comparatively truncated process through which the TTAB determines a party's right to *register* its mark; infringement litigation follows the full procedures of regular civil litigation and determines a party's right to *use* its mark in commerce. These distinctions signal that Congress did not intend decisions arising out of the limited proceedings before the Board to bar parties in infringement litigation from availing themselves of the full protections afforded litigants before Article III courts.

Second, the Act clearly distinguishes the scope of agency authority (registration) from the scope of judicial authority (use). *See* 15 U.S.C. §§ 1067(a), 1116(a), 1117(a). Allowing administrative preclusion in cases like this would upset that balance and render many infringement actions merely, and impermissibly, *pro forma* because likelihood of confusion—the most commonly contested issue in infringement cases—would be taken off the table. *See Astoria Fed. Sav. & Loan Ass'n* v. *Solimino*, 501 U.S. 104, 108, 111-112 (1991) (finding no administrative preclusion where judicial action otherwise would be merely "*pro forma*").

Third, the Act allows aggrieved parties to obtain *de novo* review of registration decisions in the district courts. 15 U.S.C. § 1071(b). This further demonstrates that Congress did not intend an unreviewed TTAB decision to bind Article III courts. *See Univer-*

sity of Tennessee v. *Elliott*, 478 U.S. 788, 795-796 (1986).

In addition to these textual signals, the basic purposes of *res judicata* and collateral estoppel are not served by preclusion in this context. In fact, far from decreasing the burdens on Article III courts, preclusion would encourage litigants to file district court suits seeking review of TTAB registration determinations—regardless of their interest in registration—for fear of the effect of the TTAB's determination on a later infringement suit. By contrast, denying preclusive effect to Board decisions is not necessary to prevent the parties from relitigating the same issues in front of the same tribunal; if the Board's registration decision is unreviewed, infringement litigation represents the parties' first opportunity to present their marks to an Article III court.

Finally, the canon of constitutional avoidance militates against administrative preclusion. If courts must give TTAB decisions preclusive effect, parties in infringement cases may lose their right to a jury trial. This runs afoul of the Seventh Amendment, as well as Article III's limits on the degree to which administrative agencies may displace the adjudicative role of courts. To avoid problems of such constitutional magnitude, the Court should hold that TTAB decisions are not binding on courts of law.

II. The text of the Lanham Act also reveals an independent, substantive reason why TTAB determinations in registration proceedings cannot bind courts hearing infringement lawsuits: the likelihood-of-confusion questions decided by the two tribunals are different. Because of this, the fundamental col-

lateral-estoppel requirement of issue identity cannot be met.

The Lanham Act draws a pronounced distinction between what is likely to confuse for registration purposes and what is likely to confuse for infringement purposes. For registration, the "resembl[ance]" of the marks is what matters; for infringement, it is the marks' actual "use in commerce." 15 U.S.C. §§ 1052(d), 1114(1)(a). Congress's choice to use different language in the two Lanham Act provisions must be presumed intentional; it has persisted for nearly 150 years. Yet both B&B and the United States gloss over these distinctions, without explaining why.

Their effort to wave away these textual differences is particularly inappropriate given the very different scopes of analysis that the tribunals typically use in the two proceedings. The TTAB evaluates the marks, and the goods sold under those marks, as they are described in the application and registration. By contrast, a court or jury deciding infringement must consider the marks and goods in their true marketplace context. To be sure, the TTAB and infringement courts sometimes consider the same nominal factors in their analyses—but they assess those factors for different purposes, based on different evidence. Because the two likelihood-of-confusion determinations are not comparable, the TTAB's finding of likelihood of confusion should not preclude later infringement litigation.

III. Even if this Court were to conclude that some form of preclusion is appropriate, it should go no further than allowing for the possibility that the findings of fact underlying a TTAB likelihood-of-

confusion determination might have some preclusive effect. This case does not present the Court with an opportunity to further define the parameters of that form of preclusion.

B&B has never argued that *the facts underlying* the TTAB's likelihood-of-confusion finding are preclusive; B&B rests its argument only on the preclusive effect of the Board's ultimate conclusion. And even if B&B had made such an argument, it would not change the outcome of this case. The constraints on registration proceedings prevented the Board from fully considering two elements of the likelihood-of-confusion analysis that were crucial to Hargis's victory in the district court. First, Hargis demonstrated at trial that it always used its mark as part of the phrase "Sealtite Building Fasteners," but the TTAB was not permitted to consider that fact at all because the words "Building Fasteners" were not an element of the mark that Hargis sought to register. Second, Hargis was able to produce extensive and convincing evidence at trial that a high degree of consumer care made it unlikely that an unwitting customer would mistake Hargis's mark for B&B's. The Board, by contrast, failed to make any finding on this matter. For these reasons also, the Court should affirm the decision below.

ARGUMENT

I. TTAB DECISIONS DO NOT BIND ARTICLE III COURTS.

B&B bases its brief on the flawed premise that TTAB decisions are no different than the decisions of Article III courts. This Court's precedent squarely rejects that view:

> Under the basic concept of separation of powers that flows from the scheme of a tripartite government adopted in the Constitution, the judicial Power of the United States can no more be shared with another branch than the Chief Executive, for example, can share with the Judiciary the veto power, or the Congress share with the Judiciary the power to override a Presidential veto. [*Stern* v. *Marshall*, 131 S.Ct. 2594, 2608 (2011) (brackets, ellipses, and quotation marks omitted).]

Although Congress may endow administrative bodies with adjudicative authority, the scope of that authority is more limited than that possessed by Article III courts. Necessarily, then, the preclusive effect of administrative decisions is similarly limited.

Specifically, administrative preclusion is constrained by congressional intent and the purposes of *res judicata* and collateral estoppel. And in cases like this, both constraints dictate that the TTAB's decisions have no preclusive effect in infringement actions. That conclusion is further reinforced by the canon of constitutional avoidance, which counsels the Court to reject administrative preclusion in this context because it raises serious concerns under the Seventh Amendment and Article III.[5]

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[5] The United States cites Hargis's supplemental brief for the proposition that "Respondent does not contend that Board likelihood-of-confusion determinations invariably lack preclusive effect." U.S. *Amicus* Br. 18. Not so. At the certiorari stage, Hargis explained that review was not necessary because the circuits applied fact-dependent preclusion inquiries, all of which correctly dictated that preclusion should not apply in this case. Cert. Supp. Br. 2-3. Hargis did not disclaim the right to argue,

A. Congress Intended Infringement Issues To Be Decided *De Novo* By Article III Courts.

We start where we must: the statute. Whether administrative preclusion applies depends in the first instance on "whether it is intended by the legislature." *See Astoria Fed. Sav. & Loan Ass'n* v. *Solimino*, 501 U.S. 104, 108 (1991). Preclusion's status as part of the common-law backdrop means that courts may presume its application, but only "where Congress has failed expressly or impliedly to evince any intention on the issue." *Id.* at 110.

In determining Congress's intent concerning the preclusive effect of administrative proceedings, this Court's analysis has focused on textual signals in the governing statute. *See, e.g.*, *id.* at 111-112 (whether the statute provides for Article III proceedings that would be rendered *"pro forma"* by administrative preclusion); *University of Tennessee* v. *Elliott*, 478 U.S. 788, 795-796 (1986) (whether the statute makes administrative findings subject to *de novo* consideration on direct review by Article III courts). Three such signals in the Lanham Act's text demonstrate that Congress did not intend registration findings to be preclusive in infringement litigation.

1. Congress structured registration proceedings quite differently from infringement litigation under the Lanham Act. The differences in these two proceedings demonstrate their distinct purposes—and

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as it does now and as it did before the Eighth Circuit, that "TTAB decisions do not bind Article III courts." Hargis 8th Cir. Br. 12.

show why Congress did not intend TTAB findings made at the conclusion of limited registration proceedings to bar the far more fulsome airing of usage rights in civil infringement litigation. *See* INTA *Amicus* Br. 9-28.

Infringement actions—which have deep roots in the common law—conclusively establish whether a party has the right to exclude its competitor from using a confusingly similar or identical mark in commerce.[6] *See In re Trademark Cases*, 100 U.S. 82, 92 (1879); *see also supra* at 4-5. The remedies for infringement are correspondingly substantial: The Lanham Act provides for actual and statutory damages, disgorgement, attorneys' fees, injunctive relief, and the destruction of the infringing articles. 15 U.S.C. §§ 1116-1118. Reflecting these high stakes, Congress placed infringement litigation exclusively in the hands of Article III courts, where parties benefit from the full panoply of procedural protections.

Registration, by contrast, is a comparatively recent statutory innovation that complements the common law remedy of infringement by serving a limited, prophylactic function. *See supra* at 5, 8-12. It helps reduce the likelihood of infringement litigation in the

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[6] One treatise dates the first infringement suit to a sixteenth century English case. *See* 1 *Gilson on Trademarks* § 1.06. In the United States, trademark owners have brought actions for infringement since at least 1837. *Id.* And since that time, the cause of action has remained essentially unchanged; indeed, the essential elements of an infringement action are the same now as they were when this Court decided its first trademark case in 1872. *Compare KP Permanent Make-Up, Inc.* v. *Lasting Impression I, Inc.*, 543 U.S. 111, 117 (2004), *with Canal Co.* v. *Clark*, 80 U.S. (13 Wall.) 311, 320-321, 327-328 (1872).

first place by providing notice of existing marks and screening new entrants for their resemblance to existing marks. *See* 15 U.S.C. §§ 1052, 1057, 1072. And it serves to streamline litigation when it does happen by conferring important evidentiary presumptions on the registrant; namely, presumptions of ownership, validity, and the exclusive right to use. *See id.* §§ 1057, 1115. But a party's inability to register a mark does *not* prevent that party from using its mark in commerce. *See General Mills, Inc. & Gen. Mills IP Holdings II, LLC* v. *Fage Dairy Processing Indus. S.A.*, 100 U.S.P.Q. 2d 1584, 2011 WL 6001095, at *3 (TTAB 2011) ("[t]he Board has no authority to determine the right to use"). Only an infringement suit may do that. At bottom, registration functions as an important, yet limited tool of administrative convenience, which is why Congress committed its adjudication in the first instance to an administrative agency.

Because of the relative narrowness of the registration inquiry, TTAB proceedings are less comprehensive than Article III suits. The TTAB has frequently cautioned that large-scale discovery is disfavored, chiding parties for attempting to develop evidentiary records "of a magnitude generally reserved for district court litigation." *Id.*; *see also* TTAB Manual §§ 402.01, 402.02 ("in view of the Board's limited jurisdiction, the narrowness of the issues to be decided * * * and the concerns existing with respect to excessive e-discovery, the burden and expense of e-discovery will weigh heavily against requiring production in most cases"); INTA *Amicus* Br. 22 (describing the limited discovery typically available to TTAB litigants). TTAB rules also prohibit parties from calling *any* live witnesses, thereby denying par-

ties the ability to test witness credibility before the adjudicator.[7] The TTAB instead decides registration matters entirely on the written record. TTAB Manual § 102.03. These limitations ensure that registration proceedings remain far less expensive than civil litigation. *See* Brief of *Amicus Curiae* American Intellectual Property Law Association (AIPLA) in Support of Neither Party 12-13 (citing 2013 report finding that the cost of an *inter partes* proceeding is 10-25 percent of the cost of an infringement action).

Allowing TTAB decisions to have preclusive effect in infringement actions would mean that the likelihood-of-confusion determination critical to infringement would be decided through the pared-down proceedings Congress found appropriate *only* in the lower-stakes registration context. And it would pose a serious threat to the continuing viability of low-cost registration proceedings, as parties would be encouraged to do their best to make TTAB hearings as close to civil litigation as possible. *Id.* at 11-12. Such results contravene congressional intent. The Lanham Act strikes a careful balance between providing for the administrative convenience of registration and safeguarding the parties' rights to a full and fair adjudication in infringement litigation where the stakes are high. Congress clearly did not intend for courts to disrupt this balance through the application of administrative preclusion.

In short, the Lanham Act's textual signals all point to a single conclusion: Congress did not intend

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[7] The trial below shows exactly why live testimony is so critical to infringement litigation: in this case, it revealed B&B's fabrication of evidence. J.A. 363a-375a.

TTAB findings to have preclusive effect in infringement litigation. After all, it has long been established that preclusion should not apply where a trial will provide "procedural opportunities * * * that were unavailable in the first action of a kind that might be likely to cause a different result." *Parklane Hosiery Co.* v. *Shore*, 439 U.S. 322, 332 (1979); *see also Astoria*, 501 U.S. at 107 (administrative preclusion is inappropriate where a party has not had "an adequate opportunity to litigate" the issues at stake (quotation marks omitted)). Indeed, this Court has observed that preclusion is inappropriate where—as here—the initial proceeding deprived a litigant of the opportunity to "engage in full scale discovery or call witnesses." *Parklane Hosiery*, 439 U.S. at 331 n.15. Because Congress is "understood to legislate against a background of common-law adjudicatory principles," *Astoria*, 501 U.S. at 108, its legislative choice to allow registration to be decided using the pared-down proceedings of the TTAB must be presumed to indicate its intention that preclusion should not apply. This Court should give effect to Congress's decision.

2. Relatedly, by structuring the Lanham Act to provide robust remedies for trademark infringement, Congress demonstrated its intent that infringement litigation should be meaningful. Accepting B&B's position that TTAB decisions are preclusive, however, would render many infringement suits "*pro forma*"—an impermissible result under *Astoria*.

The *Astoria* Court concluded that state administrative findings with respect to age discrimination were not preclusive in federal Age Discrimination in Employment Act (ADEA) lawsuits. It noted that the ADEA had separate provisions governing cases aris-

ing out of state administrative proceedings and cases arising in the federal system, and concluded that the ADEA "plainly assume[s] the possibility of federal consideration after state agencies have finished theirs." 501 U.S. at 111. If state findings were preclusive, the Court reasoned, "such federal proceedings would be strictly *pro forma*" because the victorious party would have "an airtight defense of collateral estoppel." *Id.* To avoid rendering the ADEA's judicial-review provisions superfluous, the Court interpreted the Act to forbid preclusion. *Id.*

By the same token, the Lanham Act establishes a system whereby a senior markholder may oppose another's registration application at the TTAB, but it must sue the applicant for infringement in court. These separate, and more consequential, infringement proceedings would be rendered *pro forma* if a victorious opposer could prevail by asserting the collateral-estoppel effect of the TTAB's findings. In fact, that is exactly what B&B tried to do here: B&B sought summary judgment in its infringement action on the ground that the TTAB opposition determination was preclusive. *See* J.A. 66a-69a. This cannot be what Congress had in mind when it created a separate infringement action over which the TTAB lacks jurisdiction in the first place.

3. Finally, Congress provided for *de novo* review of TTAB decisions in federal court—a key fact that demonstrates its intent to deny preclusive effect to an unreviewed TTAB ruling. That is just what this Court held in *Elliot*, where it declined to give preclusive effect to a state's unreviewed administrative rejection of the plaintiff's discrimination claim. 478 U.S. at 795-796. The Court derived its reasoning

from *Chandler* v. *Roudebush*, 425 U.S. 840 (1976), which "held that a federal employee whose discrimination claim was rejected by her employing agency after an administrative hearing was entitled to a trial *de novo* in federal court on her Title VII claim." *Elliott*, 478 U.S. at 796. Because Title VII subjected federal administrative proceedings on direct review to *de novo* consideration by a district court, the Court held that Congress likewise "did not intend unreviewed state administrative proceedings to have preclusive effect on Title VII claims." *Id.* *Cf. United States* v. *Utah Constr. & Mining Co.*, 384 U.S. 394, 419-420 (1966) (finding that, because the statute at issue made an administrative board's factfinding conclusive on direct judicial review, those findings could similarly have preclusive effect in an Article III suit raising damages claims over which the board had no jurisdiction).

The Court should reach the same result here. Congress sent a clear signal in the Lanham Act when it allowed parties to seek *de novo* review of adverse registration decisions in district court. *See* 15 U.S.C. § 1071(b). It did not make the TTAB's factfinding binding with respect to registration determinations on direct review, just as it did not make administrative factfinding binding with respect to discrimination determinations on direct review in Title VII. Accordingly, like this Court held in *Elliott*, Congress did not intend unreviewed TTAB registration proceedings to have preclusive effect on infringement claims.

Indeed, a contrary finding would lead to an absurd result. The Lanham Act expressly provides the TTAB with jurisdiction over registration, *see* 15

U.S.C. § 1052; it does *not* provide the TTAB with any jurisdiction over infringement, *see id.* §§ 1114(1), 1125(a) (vesting such jurisdiction in courts alone). Were the Court to require preclusion in cases such as this, a district court considering a TTAB registration decision on direct review would *not* be bound by the TTAB's findings, but a court considering such findings in an infringement suit *would* be forced to adopt them—even though infringement is excluded from the TTAB's purview. That plainly is not what Congress intended.[8]

B. Preclusion In This Context Would Not Serve The Purpose Of *Res Judicata* Or Collateral Estoppel.

Just as the structure of the Lanham Act demonstrates that Congress did not intend preclusion in this context, the policies underlying the common law principles of *res judicata* and collateral estoppel confirm the same. The fundamental value served by preclusion, which "encompasses both the parties' interest in avoiding the cost and vexation of repetitive litigation and the public's interest in conserving judicial resources," *Elliott*, 478 U.S. at 798, is repose. But affording preclusive effect to TTAB decisions would not "enforce repose." *Astoria*, 501 U.S. at 107.

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[8] B&B presents its own absurd-results hypothetical, contending that under Hargis's view, a district court might find infringement to exist yet nevertheless direct registration of an infringing mark. B&B Br. 33. That is not possible. To register a mark, an applicant must be the "owner of the mark" possessing the "right to use such mark in commerce." 15 U.S.C. § 1051(a)(1), (3)(D). A finding of infringement determines that the applicant may *not* use its mark in commerce, thus barring registration.

1. Allowing administrative preclusion in cases like this would *increase* the likelihood that parties will find themselves embroiled in duplicative litigation and magnify the strain on the resources of Article III courts. If an unsuccessful registration applicant can be confident that she will receive *de novo* consideration in a later infringement suit, she may elect to dispense with an Article III hearing upon receipt of an unfavorable registration decision from the TTAB. If, however, the unsuccessful applicant knows that district court review of the registration decision is her only opportunity for *de novo* consideration, then she is far more likely to seek that review. Applying preclusion would thereby *increase* the number of Article III suits initiated under the Lanham Act.

This case provides a good example of this effect: After losing at the TTAB, Hargis elected not to pursue Article III review. But had Hargis believed that forgoing Article III review of the registration determination would make the TTAB's findings binding in the infringement action, Hargis certainly would have filed an additional civil suit in order to obtain *de novo* review, thus multiplying the strain on scarce judicial resources.

2. By contrast, denying preclusive effect to unreviewed TTAB decisions would *not* deprive successful parties at the TTAB of any benefit to which they would be otherwise entitled. Board decisions are reviewed *de novo* by district courts on direct review. There is no injustice—in fact, there is total parity—in subjecting those decisions to the same standard in subsequent infringement suits.

Denying preclusive effect likewise would not undermine another key goal of *res judicata* and collat-

eral estoppel; namely, preventing a party from relitigating an issue in front of the same tribunal in which it already lost. For this reason, unreviewed Board decisions are not comparable to unappealed district court decisions for preclusion purposes. Denying preclusive effect to an unreviewed TTAB decision does *not* afford the losing party another opportunity to litigate in front of the Board in the way that denying preclusive effect to an unappealed district court decision *would* allow the losing party to return to the district court seeking a different outcome. Instead, denying preclusive effect to the Board's ruling affords the party its initial audience in front of an Article III court.

Thus, B&B's citation to *Pittson Coal Grp.* v. *Sebben*, 488 U.S. 105, 123 (1988), is inapt. B&B Br. 22. In *Pittson Coal*, the Court held only that unsuccessful parties before an administrative board could not return to the same board to seek a different holding. *Id.* *Pittson Coal* says nothing about whether an unreviewed administrative determination should preclude access to Article III proceedings. *Elliott* and *Astoria* are the authorities that speak to that question, and they establish that preclusion should not apply.

C. The Doctrine Of Constitutional Avoidance Militates Against Preclusion.

Finally, the canon of constitutional avoidance warrants a finding of no administrative preclusion. "[W]here a statute is susceptible of two constructions, by one of which grave and doubtful constitutional questions arise and by the other of which such questions are avoided, our duty is to adopt the latter." *United States* v. *Delaware & Hudson Co.*, 213

U.S. 366, 408 (1909). That is the case here: a rule allowing the TTAB's findings in a registration proceeding to bind a court in an infringement action would raise "grave and doubtful questions" as to the Lanham Act's consistency with the Seventh Amendment and Article III of the Constitution.

1. This Court made clear in *Granfinanciera* v. *Nordberg* that Congress may not "conjure away the Seventh Amendment by mandating that traditional legal claims be * * * taken to an administrative tribunal." 492 U.S. 33, 52 (1989). B&B's argument in this case raises just that possibility. For it has long been established that the Seventh Amendment gives litigants a right to a jury trial in infringement cases. *See Dairy Queen, Inc.* v. *Wood*, 369 U.S. 469, 477, 479-480 (1962)); *cf. Markman* v. *Westview Instruments, Inc.*, 517 U.S. 370, 377 (1996) (holding, in the patent context, that "there is no dispute that infringement cases today must be tried to a jury"). And both parties asserted that right in this case. *See supra* at 19. Allowing an unreviewed registration decision to have preclusive force in a subsequent infringement suit would have the effect that the Court found unconstitutional in *Granfinanciera*: it would allow administrative factfinding to usurp a litigant's jury trial right. *See generally* Brief of the Intellectual Property Law Association of Chicago as *Amicus Curiae* in Support of Neither Petitioner Nor Respondents 11-12.

To be sure, this Court has permitted Article III decisions handed down in bench trials to have preclusive effect, even where doing so deprives parties of the jury trial to which they might otherwise be entitled. *See Parklane Hosiery*, 439 U.S. at 337. But

that rule is predicated on the fact that the Seventh Amendment was intended "to preserve the right to jury trial as it existed in 1791." *Id.* at 333. At that time, "a party was not entitled to have a jury determine issues that had been previously adjudicated by a chancellor in equity" (the equivalent of a modern bench trial). *Id.* The same logic cannot extend to administrative adjudication because it did not exist at the time of the framing. And while *Parklane Hosiery* noted that some flexibility is appropriate in taking account of legal developments post-1791, *id.* at 336-337, *Granfinanciera* makes clear that replacing the jury with an administrative board is a development the Seventh Amendment cannot countenance, 492 U.S. at 51-52 (agency factfinding in such circumstances would "eviscerate the Seventh Amendment's guarantee").

2. A finding of preclusion in this case would also raise serious questions under Article III. The TTAB's limited procedures may be adequate in determining a party's right to register a trademark; registration is a public right created and controlled by Congress, so Congress is entitled to a considerable degree of discretion in determining the procedures through which the right may be vindicated. *See, e.g.*, *Stern*, 131 S. Ct. at 2613 (reviewing the case law permitting alternative adjudicative procedures for the resolution of public rights claims "derive[d] from a federal regulatory scheme").

But these procedures cannot suffice with respect to infringement. Trademark infringement is a cause of action involving private rights, with deep roots in the common law. *See supra* at 4-5, 12-13, 29 n.6. For this reason, infringement litigation must be decided

by an Article III court. *See Stern*, 131 S. Ct. at 2609 ("[w]hen a suit is made of the stuff of the traditional actions at common law * * * and is brought within the bounds of federal jurisdiction, the responsibility for deciding that suit rests with Article III judges in Article III courts" (quotation marks omitted)).

That parties have the option of seeking review of a TTAB registration decision before a district court does not alter this constitutional calculus in any respect. A party cannot be required to initiate Article III litigation it does not otherwise believe necessary merely to preserve the right to procedural safeguards in a potential infringement suit. Such a rule would subvert the purposes of the preclusion doctrine, making its application a drain on limited Article III resources, rather than an important tool in reducing courts' burden.

The Article III difficulty is particularly acute because, while it is highly unlikely that Article III permits administrative bodies to wholly assume the factfinding function of Article III courts with respect to private rights, it is beyond question that administrative bodies may not assume such a role with respect to questions of law. *Compare Stern*, 131 S. Ct. at 2612 & n.6 (suggesting that administrative factfinding with respect to private rights could comply with Article III only where the agency functions as "a true 'adjunct' of the District Court"), *with id.* at 2612 (agency may not decide "the liability of one individual to another under the law as defined" (quoting *Crowell* v. *Benson*, 285 U.S. 22, 51 (1932))).[9]

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[9] Perhaps recognizing this tension, the Court has carefully confined its previous holdings regarding administrative preclu-

As B&B admits, there is considerable disagreement with respect to whether a finding of "likelihood of confusion" constitutes an issue of fact or law. B&B Br. 24. Like some circuits, the Eighth Circuit below assumed that it was a finding of fact. *See* Pet. App. 5a; 4 *McCarthy on Trademarks* § 23:73 (collecting cases). Other circuits, however, have reached the opposite conclusion, determining that the factors underlying the likelihood-of-confusion analysis require findings of fact, but "the balancing of these findings to determine the ultimate issue of likelihood of confusion is a question of law." *Data Concepts, Inc.* v. *Digital Consulting, Inc.*, 150 F.3d 620, 624 (6th Cir. 1998); *see Bristol-Myers Squibb Co.* v. *McNeil-P.P.C., Inc.*, 973 F.2d 1033, 1043 (2d Cir. 1992); *Sweats Fashions, Inc.* v. *Pannill Knitting Co., Inc.*, 833 F.2d 1560, 1565 (Fed. Cir. 1987). These latter courts have the better view. The inquiry focuses on whether an established set of facts is consistent with the statutory meaning of "likelihood of confusion," and this Court has held that the meaning of statutory terms constitutes a "question of law." *McDermott Int'l, Inc.* v. *Wilander*, 498 U.S. 337, 356 (1991); *cf. KSR Int'l Co.* v. *Teleflex Inc.*, 127 S. Ct. 1727, 1745 (2007) (holding that "ultimate judgment of obviousness" under patent statute is a "legal determination"). At the very least, these questions underscore the grave con-

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sion to administrative findings of fact. *See Elliott*, 487 U.S. 797-799 (agency "*fact*finding"); *Utah Constr. & Mining Co.*, 384 U.S. at 419 (agency resolution of "factual issues"); *see also Astoria*, 501 U.S. at 107 (agency "resolves disputed issues *of fact*" (quoting *Utah Constr. & Mining Co.*, 384 U.S. at 421-422)) (emphases added).

stitutional concerns raised by B&B's reading of the Act.

In any event, the Court has good reasons not to venture into this thicket: Congressional intent, the policies underlying preclusion, and procedural considerations all dictate that the decisions of the TTAB should be denied preclusive effect in infringement proceedings. No more is necessary to hold that preclusion does not apply in this case.

II. REGISTRATION PROCEEDINGS AND INFRINGEMENT ACTIONS RESOLVE DISTINCT ISSUES.

In addition to the structural reasons why TTAB decisions cannot bind Article III courts, there is an independent, substantive reason why the TTAB's likelihood-of-confusion determination is not preclusive in an infringement action: the two proceedings decide different issues. This Court has long recognized that collateral estoppel "must be confined to situations where the matter raised in the second suit is identical in all respects with that decided in the first proceeding * * *." *C.I.R.* v. *Sunnen*, 333 U.S. 591, 599-600 (1948)); *see Parklane Hosiery Co.*, 439 U.S. at 326 (one purpose of collateral estoppel is to "protect[] litigants from the burden of relitigating an *identical* issue") (emphasis added). Accordingly, collateral estoppel applies only where the same "specific issue" was "actually litigated" in a prior proceeding. *Nevada* v. *United States*, 463 U.S. 110, 130 n.11 (1983).

The fundamental requirement of issue identity is not present in cases like this one. The reason: the Lanham Act's registration and infringement provi-

sions address two distinct *sources* of consumer confusion. The registration provision directs the TTAB to assess the likelihood that the applicant's mark—as described in the application—"so resembles" another mark that it is likely to cause confusion, while the infringement provision directs courts to decide whether the applicant's actual commercial "use" of the mark—that is, the manner in which consumers encounter the mark—is likely to cause confusion.

A. The Lanham Act's Registration And Infringement Provisions Use Different Language To Establish Distinct Inquiries.

The plain text of the Lanham Act establishes that there can be no issue identity in a case like this. B&B and the United States skip over the distinguishing portions of the text, insisting instead that "likely to cause confusion" (plus or minus an ellipsis) means the same thing under the registration provision as it does under the infringement provision. *See* B&B Br. 25-47; U.S. *Amicus* Br. 19-34. But the statutory language differentiates between the likelihood of confusion caused by the registration of a mark that *resembles* a previously registered mark, and the likelihood of confusion caused by the *use* of similar marks in commerce.

1. The statute speaks for itself. The Act provides that "no trademark * * * shall be refused registration" unless it "*so resembles*" a previously used or registered mark "as to be likely, when used on or in connection with the goods of the applicant, to cause confusion * * * ." 15 U.S.C. § 1052 (emphasis added).

By contrast, the federal cause of action for infringement of a registered mark provides that "[a]ny person who shall * * * *use in commerce* any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such *use* is likely to cause confusion," "shall be liable in a civil action by the registrant for the remedies hereinafter provided." 15 U.S.C. § 1114(1) (emphases added).

Both provisions address the likelihood of confusion; the obvious difference is *what* is likely to confuse. It is a "fundamental canon of statutory construction that the words of a statute must be read in their context and with a view to their place in the overall statutory scheme." *Utility Air Regulatory Grp.* v. *EPA*, 134 S. Ct. 2427, 2441 (2014) (quoting *FDA* v. *Brown & Williamson Tobacco Corp.*, 529 U.S. 120, 133 (2000)). The context here differentiates between *confusing resemblance* and *confusing use*. *See Mayer/Berkshire Corp.* v. *Berkshire Fashions, Inc.*, 424 F.3d 1229, 1232 (Fed. Cir. 2005) (noting that the "likelihood of confusion analysis" presents only a "superficial similarity" between registration proceedings and infringement actions; quoting *Jet, Inc.* v. *Sewage Aeration Sys.*, 223 F.3d 1360, 1364-65 (Fed. Cir. 2000)).

This distinction between "use" and "resembl[ance]" is no accident. It has existed since the first trademark legislation in 1870, and is rooted in the different histories and purposes of registration and infringement. *See supra* at 4-13, 28-32 & n.6. B&B conflates these histories in its brief, even going so far as to suggest they culminate in Congress's supposed

unification of the standards for registration and infringement in the Lanham Act. B&B Br. 28-31. To be sure, Congress had the opportunity to unify the standards by adopting identical language in the registration and infringement provisions—but it declined to do so. It instead maintained the established, historical distinction between "resembl[ance]" for registration and "use" for infringement.

2. B&B and the United States ignore the differences between the registration and infringement provisions. B&B repeatedly and conspicuously limits its quotation of the statute to the words "likely to cause confusion" (or "likelihood of confusion") *See* B&B Br. i, 1, 2, 3, 5, 16, 18, 24, 25, 28, 30, 33, 37, 39. And the United States omits the "so resembles" language of 15 U.S.C. § 1052(d) entirely from its discussion of the supposed material identity between the statutory standards. *See* U.S. *Amicus* Br. 20.

Applying these statutory blinders, B&B and the United States insist that "likelihood of confusion" is a single concept. But that is beside the point; a single concept can readily be applied in distinct contexts. A party may be "guilty of murder" or "guilty of robbery"; while "guilt" may very well be a "single concept," it would be preposterous to argue that the two phrases mean the same thing. Yet that is exactly the logic of B&B's and the government's argument: both provisions apply a "likelihood of confusion" standard, so it shouldn't matter that they apply that standard to entirely different subjects: resemblance and use. That cannot be so. A common-sense reading of the plain text of the statute shows that the registration and infringement provisions resolve different questions.

B. The Scope Of The Likelihood-Of-Confusion Inquiries In Registration and Infringement Proceedings Is Not The Same.

Given these textual distinctions, it should come as no surprise that the scope of the likelihood-of-confusion inquiry for registration proceedings differs from that in infringement litigation. Courts hearing infringement actions focus on actual commercial use, whereas the Board's analysis is typically limited to a comparison of the parties' registration submissions. B&B disagrees, arguing that, notwithstanding the plainly different statutory inquiries, preclusion is appropriate because the Board's likelihood-of-confusion analysis does not substantively differ from a court's. B&B Br. 39-44. But that claim is neither supported by the text, nor reflected in actual practice. *See* AIPLA *Amicus* Br. 12-14; INTA *Amicus* Br. 12-20.

1. The text of the Lanham Act focuses the registration inquiry on the marks as they are described in the application and registration at issue, rather than on the actual commercial uses of the marks. For instance, a registration opposition proceeding may be brought only by a "person who believes that he would be damaged by the *registration* of the mark." 15 U.S.C. § 1063 (emphasis added); *see id.* § 1064. And the benefits of registration are similarly defined in terms of the uses of the mark *set forth in the registration*, not the mark's actual use in commerce. *See* 15 U.S.C. § 1057(b), (c) (registration is prima facie evidence of validity and constructive use of the registered mark "on or in connection with the goods or services specified in the registration"); *id.* § 1115 (ev-

identiary presumption and incontestability apply "on or in connection with the goods or services specified in the registration").

That is why "[t]he authority is legion that the question of registrability" must be decided on the basis of the parties' registration submissions "regardless of what the record may reveal as to the particular nature of an applicant's goods, the particular channels of trade or the class of purchasers to which sales of the goods are directed." *Octocom Sys., Inc.* v. *Houston Computer Servs., Inc.*, 918 F.2d 937, 942 (Fed. Cir. 1990); *see Longshore* v. *Retail Royalty Co.*, -- F. App'x –, 2014 WL 4494770, at *3 (Fed. Cir. Sept. 15, 2014) ("Our precedent requires the Board to look to the *registration* to determine the scope of the goods/services covered by the contested mark." (emphasis added; quoting *Cunningham* v. *Laser Golf Corp.*, 222 F.3d 943, 948 (Fed. Cir. 2000)); *see also* Trademark Examining Manual § 1207.01 (focus of *ex parte* examination is on use described in application). Similarly, when a markholder opposes registration on the basis of its senior, registered mark, the opposer's rights are likewise "determined as of the format and goods in that registration, regardless of the reality of actual usage." 6 *McCarthy on Trademarks* § 32:101. That focus on the contents of the registration informs the Board's consideration of the factors most critical to the likelihood-of-confusion analysis.

Where, for example, the parties' submissions do not specify the classes of customers to whom the parties' goods are marketed, the outlets through which they are sold, and the media in which they are advertised, the Board must presume that they "travel in the same channels of trade to the same class of purchas-

ers." *In re Viterra Inc.*, 671 F.3d 1358, 1362 (Fed. Cir. 2012) (quoting *Hewlett-Packard Co.* v. *Packard Press, Inc.*, 281 F.3d 1261, 1268 (Fed. Cir. 2002)); *see also Kangol Ltd.* v. *Kangaroos U.S.A., Inc.*, 974 F.2d 161, 164 (Fed. Cir. 1992).

The same principle applies to the description of the goods on which the marks are used. "[T]he Board must look to the registrations themselves to determine the scope of the goods covered by the contested mark." *Cunningham*, 222 F.3d at 950.[10]

Even the Board's consideration of the marks' appearance—often the most important factor in the Board's likelihood-of-confusion analysis—is subject to the same focus. Where, as in this case, a registration or application describes a mark in so-called "standard character" form, "without claim to any particular font style, size, or color," 37 C.F.R. § 2.52, the TTAB's review is "not limited to any particular rendition of the mark and, in particular, [is] not limited to the mark as it is used in commerce," *Cunningham*, 222 F.3d at 950. *Cf. Citigroup Inc.* v. *Capital City Bank Grp., Inc.*, 637 F.3d 1344, 1353 (Fed. Cir. 2011) (rejecting TTAB practice of considering only the "reasonable manners" of depicting such marks); Trademark Examining Manual § 1207.01(c)(iii).

The registration inquiry's focus on the parties' PTO submissions makes good sense. Because a registration application acts as notice of the scope of the ap-

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[10] The Board in this case appears to have evaluated B&B's mark as it applied to goods beyond those listed in B&B's registration. *See* Pet. App. 51a-52a, 57a-62a. As the United States recognizes, this was likely an error. *See* U.S. *Amicus* Br. 10 n.1.

plicant's trademark claim, 15 U.S.C. § 1057(c), the Board must evaluate the mark as it is set forth in the application, even if that representation amounts to nothing more than a hypothetical—that is, divorced from the actual use of the mark in commerce. *See Stone Lion Capital Partners, L.P.* v. *Lion Capital LLP*, 746 F.3d 1317, 1324 (Fed. Cir. 2014) (explaining that the uses of a mark "recited in the application determine the scope of the post-grant benefit of registration"). It would make little sense to approve an application that claimed a facially confusing use simply because the applicant's actual use of the mark was not confusing. After all, "although a registrant's current business practices may be quite narrow, they may change at any time." *CBS Inc.* v. *Morrow*, 708 F.2d 1579, 1581 (Fed. Cir. 1983).

2. The United States and B&B raise three arguments why these established limits on the scope of inquiry in registration proceedings—which indisputably do not constrain infringement litigation—do not matter. None has merit.

a. The government attempts to narrow the difference in scope between the two proceedings to encompass only shifts in (i) the products to which the mark is applied or (ii) the channels through which the relevant goods are traded. *See* U.S. *Amicus* Br. 23-24, 26. The government is wrong. Unlike registration proceedings, infringement litigation is not constrained by the contents of the application and registration, but instead evaluates the full context of the mark's true use in commerce. *See supra* at 8-13, 28-32. Even a court considering the alleged infringement of a standard-character mark, actually used on the products and traded through the channels listed in the registration, must consider evidence like

packaging and product placement that would be off-limits to the TTAB in a normal opposition proceeding. *Compare SquirtCo* v. *Tomy Corp.*, 697 F.2d 1038, 1041 (Fed. Cir. 1983) (a party presenting its mark in standard-character form during registration is barred from asserting a difference based on type style), *with Hornady Mfg. Co.* v. *Doubletap, Inc.*, 746 F.3d 995, 1002 n.2 (10th Cir. 2014) (in an infringement action, "standard character registration does not override the requirement that likelihood of confusion be measured by the perceptions of consumers in the marketplace, including the effect of packaging"). The government's attempt to minimize these distinctions runs squarely contrary to actual practice.

b. B&B, for its part, claims that the limitations on the scope of the Board's analysis were eliminated by the 1988 revisions to the Lanham Act. *See* B&B Br. 35-37. Tellingly, its discussion of those amendments is long on the legislative proposal of a non-governmental organization (INTA) and the legislative history, but short on the actual amendments Congress passed. And for obvious reasons: as the many citations to post-1988 authority throughout this brief illustrate, the amendments have not fundamentally changed the law. Indeed, INTA itself has told this Court that the still-existing limitations on the scope of the TTAB's likelihood-of-confusion analysis militate *against* granting the Board's determinations preclusive effect in infringement suits. *See* INTA *Amicus* Br. 11-20.

In any event, B&B misreads the Trademark Litigation Revision Act of 1988, Pub. L. No. 100-667, 102 Stat. 3935. The Act amended Section 18 of the Lan-

ham Act to abrogate a doctrine that had barred the partial cancellation of a registration. 3 *McCarthy on Trademarks* § 20:44. Under the amended provision, the PTO has discretion to grant partial registration or cancellation, including by "modify[ing] the application or registration by limiting the goods or services specified therein" or "otherwise restrict[ing] or rectify[ing] the register." 15 U.S.C. § 1068.

B&B argues that this amendment allows the Board to decide the likelihood of confusion on the basis of actual use in commerce. It does not. What Section 18 creates, in relevant part, is a separate remedy that parties may invoke to narrow an application or registration that misrepresents the true mark in use or overstates the goods or services sold under the mark. It does not otherwise change the nature of the opposition process. *See id.*; 37 C.F.R. § 2.133(b). The amendment therefore does not do what B&B claims: It does not give the TTAB license to engage in a full-blown analysis of marketplace context, and it certainly has no effect in cases like this where no one has requested a Section 18 remedy.

c. Finally, B&B repeats a point raised by Judge Colloton in his dissent below, arguing that because the TTAB has adopted a likelihood-of-confusion test for registration that is basically the same as courts' likelihood-of-confusion tests for infringement, the TTAB and the courts are deciding essentially the same issue in the two proceedings. B&B Br. 39-44. But B&B's argument rests on the previously dispelled premise that the Board's test "lets it consider everything that a district court can consider." *Id.* at 41. As already explained, that is incorrect; the Board is limited by representations made in registrations.

In any event, even in a case in which the registration submissions exactly echo actual usage, the fact that the Board may consider the same underlying facts as those considered by a court in infringement litigation does not mean the two bodies are deciding the same issue. The Board is assessing those facts to determine whether they establish a confusing "resembl[ance]," whereas the district court is assessing them to determine whether there is a confusing "use."

This case shows why that difference is significant. The Board did consider some, although certainly not all, aspects of marketplace usage as part of its likelihood-of-confusion analysis. For instance, as the Eighth Circuit recognized, the TTAB acknowledged that B&B and Hargis "sell their fasteners for different applications in different industries." Pet. App. 10a, 64a. But, as the Eighth Circuit explained, the Board ultimately concluded that "for registration purposes, the similarities of the marks"—that is, their resemblance—"trumped the market *usage* of the products in its likelihood of confusion analysis." Pet App. 9a (emphasis added). That decision was, of course, entirely appropriate under 15 U.S.C. § 1052, which requires the Board to determine the propriety of registration based on resemblance. Yet as the Eighth Circuit rightly recognized, that focus was not appropriate in an infringement suit under 15 U.S.C. § 1114(1), which must be resolved based on the validity of the plaintiff's claim of allegedly confusing "use." Pet. App. 9a-10a. The TTAB's likelihood-of-confusion determination was inherently different from the jury's—demonstrating again why TTAB decisions should not have preclusive effect in infringement actions.

* * *

The Lanham Act establishes different likelihood-of-confusion inquiries, decided through different proceedings, focusing on different evidence. In other words, the TTAB decides a different issue from a court or jury in an infringement proceeding, making preclusion improper.

III. UNDER ANY STANDARD OF PRECLUSION, THE EIGHTH CIRCUIT'S DECISION IS CORRECT.

Because issue identity is an absolute requirement of collateral estoppel, a TTAB conclusion that one mark bears a confusing resemblance to another never precludes litigation of whether that mark's use in commerce is likely to confuse. If any portion of a TTAB likelihood-of-confusion determination were preclusive in infringement proceedings—and none should be—it could only be the specific factual findings underlying the Board's determination of likelihood of confusion. But B&B has never argued that these underlying findings should be given preclusive effect, and even if it had, the findings would neither have determined nor changed the outcome in this case.

A. Registration Proceedings Can At Most Preclude Relitigation Of Certain Findings Of Fact.

Issue identity requires that both the facts and the legal standard used to assess them remain the same across the relevant proceedings. *Smith* v. *Bayer Corp.*, 131 S. Ct. 2368, 2377 (2011); *Baros* v. *Texas Mexican Ry.*, 400 F.3d 228, 233 (5th Cir. 2005); *see Mayeske* v. *International Ass'n of Fire Fighters*, 905

F.2d 1548, 1553 (D.C. Cir. 1990) (Thomas, J., joined by Ginsburg, R.B., J.) (NLRB determination that the plaintiff was an "employee" based on judicially-crafted standard did not preclude consideration of her status under broader common-law standard).

This bedrock principle decides this case. A determination of confusing *resemblance* in a registration proceeding cannot preclude a determination of confusing *use* in litigation. That ultimate issue is the only question B&B has put before this Court.

Still, an administrative determination that one mark confusingly resembles another comprises subsidiary findings of fact, and these underlying findings may overlap with the infringement findings a court or jury is required to make *if* the parties' registration submissions accurately track the use of their marks in commerce. If this Court chooses to look past the significant problems with allowing TTAB decisions to have any preclusive effect in Article III infringement proceedings, it could conclude that overlapping subsidiary findings are preclusive. In some cases, therefore, a district court's adoption of sufficiently significant TTAB findings might effectively dictate the outcome of an infringement action. But that result is unlikely given the typical TTAB proceedings, and it is not appropriate here.

B. The TTAB's Findings In This Case Could Not Determine The Outcome Of The District Court Litigation.

The district court's characterization of the Board's opinion in this case is apt: "They didn't have the same evidence that the jury has and they weren't deciding the same thing that the jury decided."

J.A. 247a. No one was in a better position to make that determination than the district court.

1. First, on the decisive point of similarity, the Board's finding that B&B and Hargis shared similar marks could not have bound the district court in this case. The evidence at trial established that "Hargis always uses the term 'Sealtite' in the context of 'Sealtite Building Fasteners,'" never alone.[11] Pet. App. 35a. Although a label featuring Hargis's stylized "ST" logo and the full name was included in the administrative record, the Board was barred from considering these pivotal distinguishing features.[12]

Because the question before the TTAB is the resemblance of the applicant's proposed registration to other marks, it may only consider those characteristics of the mark that the applicant seeks to register. Hargis's application claimed only "Sealtite," J.A. 70a, and Hargis described its mark in standard-character format, meaning "without claim to any particular font style, size, or color," 37 C.F.R. § 2.52. B&B's application likewise claimed only "Sealtight"—also in standard-character form. J.A. 223a. Where "both

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[11] B&B now asserts that this finding is not supported by the evidence, B&B Br. 55, but it failed to raise that argument before the Eighth Circuit. In any event, the record shows the opposite: Bruce Crouch testified to just that. 5 Trial Tr. 824 (E.D. Ark. No. 4:06-cv-1654, Doc. 266).

[12] Available at https://tsdr.uspto.gov/documentviewer?caseId=sn75129229&docId=SPE20041230131154#docIndex=5&page=1. Hargis recognizes that merely descriptive terms added to a mark are not generally sufficient to overcome an otherwise strong similarity, but that rule does not apply in circumstances where, as here, the allegedly infringed mark is weak. *See* 4 *McCarthy on Trademarks* § 23:48.

marks use the standard character format * * * any specific differences in design are not relevant" to the Board's likelihood-of-confusion inquiry. *Midwestern Pet Foods, Inc.* v. *Societe des Produits Nestle S.A.*, 685 F.3d 1046, 1053 (Fed. Cir. 2012); *Cunningham*, 222 F.3d at 950; *SquirtCo*, 697 F.2d at 1041.

These established constraints on the scope of the Board's inquiry prevented it from considering whether Hargis's mark was confusing as it appeared to its customers in the marketplace—the critical question in an infringement proceeding. Notably, the government implicitly agrees. It refers to "Sealtite Building Fasteners," as "a different *mark* than the one the Board considered." U.S. *Amicus* Br. 26 (emphasis in original). Whether or not that characterization is accurate, the entire phrase was off-limits to the TTAB, but properly before the district court. Hargis's use of "Sealtite Building Fasteners" was therefore new evidence before the district court that rendered the Board's similarity finding devoid of preclusive effect.

2. On another critical issue given the subject matter of this case—the degree of consumer care—the Board found itself stymied by a dearth of evidence. *See* 2 *Gilson on Trademarks* § 5.08 (a higher degree of care supports the inference that confusion is less likely). The Board considered deposition testimony from B&B's owner in which he averred that customers like NASA, Boeing, Raytheon, Honeywell, and Medtronic were "not sophisticated" in their purchasing decisions. *See* Pet. App. 66a-67a. Although the TTAB remarked that "it seems implausible that someone using fasteners in high tech applications * * * where preventing liquid or gas leaks is es-

sential, would not exercise a high degree of care in his or her purchasing decision," the TTAB concluded that "the evidence regarding the degree of care to which ultimate consumers of the parties' products consider the trademarks and source of the fasteners was simply not developed in sufficient detail to permit us to draw any conclusions regarding the degree of consumer care." Pet. App. 67a-68a.

By contrast, the district court observed that Hargis "presented extensive evidence at trial regarding the high degree of care exercised by its customers or potential customers, including the types of applications in which its fasteners are used, the importance of price and quick turnaround, and the distinct differences between the markets to which Hargis and B&B sell." Pet. App. 37a. Because an issue must have been actually and necessarily *decided* in order to have preclusive effect, the Board's inconclusive assessment of this factor could not have precluded the district court's expanded review, and the result was decidedly against a finding of confusion. *See Brown* v. *Felsen*, 442 U.S. 127, 139 n.10 (1979) ("[C]ollateral estoppel treats as final only those questions actually and necessarily decided in a prior suit.").

In sum, the Board could not or did not fully consider two crucial aspects of the marks' real-world use. This, plus the fact that the Board had to discount the limited marketplace-usage findings it did make because of the statutory registration standard, *see supra* at 52, makes clear that even if the Board's underlying findings of fact were given preclusive effect, those findings would not have altered the jury's conclusion that Hargis's actual use of "Sealtite" was not likely to cause confusion. Perhaps more importantly,

though, the difference between what was before the Board and what was before the jury demonstrates precisely why a rule requiring issue preclusion with respect to the Board's likelihood-of-confusion determination cannot stand.

* * *

B&B presents no argument on its second question presented—whether a court in infringement litigation must give weight to a TTAB decision if that decision is not preclusive because the issues are not the same. The government answers that question unequivocally in the negative. U.S. *Amicus* Br. 28. On this point at least, Hargis agrees with the government.[13] No deference is owed to the TTAB's finding of likelihood of confusion, just as no preclusive effect attaches to that finding either. And with nothing left to overcome the jury verdict below, B&B's plea for reversal should be rejected.

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[13] In any event, the district court found that the evidence introduced at trial established the contrary of the TTAB's finding of likelihood of confusion with thorough conviction, Pet. App. 28a, so no deference would be warranted even under B&B's one-time proposed test.

CONCLUSION

For the foregoing reasons, the decision below should be affirmed.

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IN THE

Supreme Court of the United States

B&B HARDWARE, INC.,

Petitioner,

v.

HARGIS INDUSTRIES, INC.,
D/B/A SEALTITE BUILDING FASTENERS,
D/B/A EAST TEXAS FASTENERS, ET AL.,

Respondent.

On Writ of Certiorari
to the United States Court of Appeals
for the Eighth Circuit

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RULE 29.6 STATEMENT

The corporate disclosure statement included in the opening brief remains accurate.

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REPLY BRIEF FOR PETITIONER

I. The Registration And Infringement Provisions Contain The Same Language And The Same Concept

Hargis's discussion of the principal issue in this case—whether "likelihood of confusion" means the same thing in registration and infringement proceedings—occupies a mere three pages beginning on page 42 of its brief. And Hargis makes no attempt to defend the Eighth Circuit's flawed reasoning that different multi-factor tests in different tribunals can defeat preclusion. *See* Pet. Br. 37-44.

Instead, Hargis has a single statutory point, based on the word "use" in one provision and the word "resembles" in the other. But what Hargis overlooks is that *both* key terms actually appear in *both* provisions. The statutory concept of likelihood of confusion does not differ—either textually or in application.

Hargis offers *no* response to the other key points: The Lanham Act repeats the phrase "likely . . . to cause confusion" in the registration *and* the infringement provisions. Pet. Br. 26-28. That phrase adverted to a well-known and well-defined common-law meaning—again, a single concept that Congress deliberately applied to both registration and infringement. Pet. Br. 28-31. And it is not just the Board that applies that likelihood-of-confusion standard in making registration decisions. District courts make registration decisions as well, generally in tandem with an infringement decision, which fur-

ther confirms that both decisions use the same likelihood-of-confusion standard. Pet. Br. 31-34.

A. Both Provisions Incorporate "Use" And "Resemblance"

Hargis's entire argument depends on the notion that, as a matter of statutory text, registration is all about the marks' "resemblance" and not their "use," whereas infringement is only about "use" and not about "resemblance" at all. But that is just not true: *both concepts* appear in *both provisions*, and the relevant wording is identical in every material respect. The registration provision *expressly requires* consideration of how the mark is "used." 15 U.S.C. § 1052(d). And through a definitional provision that Hargis does not cite, the registered-mark infringement provision *expressly requires* consideration of "resembl[ance]." *Id.* § 1127 (definition of "colorable imitation"); *see id.* § 1114(1)(a). The *only* textual difference Hargis identifies turns out to be no difference at all.

1. Registration does not, as Hargis would have it, turn on a mere comparison of the marks and assessment of their "resembl[ance]." Rather, it also examines how the mark is used, including (but not limited to) on what goods. The statutory text asks whether the applicant's mark "so resembles" a registered mark that it is "likely, ***when used*** on or in connection with the goods of the applicant, to cause confusion." 15 U.S.C. § 1052(d) (emphasis added).

If Hargis were correct, showing that marks are identical would always establish likely confusion for registration purposes. It does not: even if the marks are *identical*, the goods may be sufficiently different

to rule out confusion. *Dynamics Research Corp. v. Langenau Mfg. Co.*, 704 F.2d 1575, 1576, 1577-78 (Fed. Cir. 1983). And conversely, even if the marks are somewhat distinct, their use on identical *goods* may cause confusion. *Century 21 Real Estate Corp. v. Century Life of Am.*, 970 F.2d 874, 877 (Fed. Cir. 1992).

2. Similarly, the provision governing infringement of registered marks does not just turn on how the marks are "used," as Hargis would have it. To the contrary, that provision directly incorporates the concept of "resemblance" as well.

In addition to being "used" in the specified ways, an infringing mark also must either be a "reproduction, counterfeit, [or] copy . . . of a registered mark"—that is, identical to it—or else be a "colorable imitation of [the] registered mark." 15 U.S.C. § 1114(1)(a). And the definition of "colorable imitation" exactly echoes the phrasing of the registration provision: "The term 'colorable imitation' includes any mark ***which so resembles*** a registered mark ***as to be likely to cause confusion or mistake or to deceive***." *Id.* § 1127 (emphases added). Identical language about resemblance appears in the registration provision. *See id.* § 1052(d) (PTO may not register "a mark *which so resembles* a mark registered in the [PTO] . . . *as to be likely*, when used on or in connection with the goods of the applicant, *to cause confusion, or to cause mistake, or to deceive*").

3. Thus, both key concepts appear in both sections, in the same words. The senior user must show that the marks "so resemble[]" each other as to be likely to cause confusion when used "on or in connection with" particular goods. *Id.* §§ 1052(d), 1114(1)(a).

To the extent minor differences in wording exist, the reason is simple: registration applications can be based on a mere intent to use; infringement litigation cannot. Thus, applicants can file for registration (and litigate opposition proceedings) before ever actually using a mark. *See* 15 U.S.C. §§ 1051(b), (d), 1062(a), 1063; *see also* S. Rep. No. 100-515, at 5 (1988). But to be sued for infringement, one must actually use the infringing mark in commerce, 15 U.S.C. § 1114(1)(a); *see id.* § 1127 (definition of "use in commerce"), or at least physically apply the infringing mark to materials "intended to be used in commerce," *id.* § 1114(1)(b). The infringement provision therefore begins with a jurisdictional element—the infringing mark must be "use[d] in commerce"—that is unnecessary in the registration provision.

Thus, courts consider identical factors when they consider registration and infringement simultaneously. Pet. Br. 34 & n.23. Ignoring those cases, Hargis insists upon a false dichotomy: it asserts that the Board decides likelihood of confusion "based on resemblance," and the district court in an infringement action decides confusion "based on . . . 'use.'" Resp. Br. 52. That is not based on anything in reality. Hargis cites only a single trademark case, which it quotes out of context: the Federal Circuit did not say that infringement and registration are governed by different law, but only that the "transactional facts" will often be different. *Mayer/Berkshire Corp. v. Berkshire Fashions, Inc.*, 424 F.3d 1229, 1232 (Fed. Cir. 2005). The Federal Circuit recognizes that the likelihood-of-confusion tests are the same. Pet. 15-16; Cert. Reply 4.

The Board certainly does not ignore use, or compare marks in isolation. That is why *both parties here* asked the Board to consider the marketplace. Pet. Br. 9. Hargis's assertion that the Board felt compelled by the statute to "discount" its "marketplace-usage findings" (Resp. Br. 57) is baseless. In fact, how Hargis "use[d]" the mark *supported* a likelihood-of-confusion finding in a key respect: Hargis used SEALTITE on goods that were "intrinsically related" to the goods on which B&B used SEALTIGHT, even if not identical. Pet. App. 61a-62a.

B. Registration And Infringement Proceedings May Consider The Same Marks, Goods, And Markets

Hargis devotes many pages (Br. 46-51) to the uncontroverted point that a registration proceeding and an infringement proceeding will often consider different goods and different usages.[1] But ultimately, Hargis acknowledges that sometimes "registration submissions [may] exactly echo actual usage." Resp. Br. 52. And except for the statutory argument debunked above, Hargis gives *no reason* why preclusion should not apply when the registration and infringement proceedings truly do involve the same marks, used on the same goods, traveling through the same markets. That resolves this case.

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[1] Hargis overstates how often the Board decides matters based *purely* on the registration papers. The Board can and does take evidence about (*e.g.*) the channels of trade recited in the registration. And the parties can invoke 15 U.S.C. § 1068 to allow the Board to look beyond the registration papers. *See* Pet. Br. 35-37.

C. The Two Proceedings Here Involved The Same Marks, The Same Goods, And The Same Markets

In its brief in opposition, Hargis identified no factual differences between the Board proceedings and the district-court case. The government urged Hargis to come forward with any possible argument that the pertinent facts changed. U.S. Br. 27-28. Hargis has offered precisely *one*: the notion that trial evidence showed that it "always" used the mark "Sealtite" in the context of "Sealtite Building Fasteners." Br. 55. That is both factually incorrect and legally inadequate to justify relitigating the Board's finding.

1. First, it simply is not correct that Hargis always pairs "Sealtite" with "Building Fasteners." Most prominently, Hargis admitted that it "uses . . . Sealtite.com in the advertisement, marketing and promotion of certain of its products." JA148a. That is Hargis's "main website," JA240a, yet the domain name completely omits "Building Fasteners." The potential for customer confusion from the use of that address alone became abundantly clear when Hargis admitted that a website using *B&B's mark* as the domain name, www.sealtight.biz, redirected users to *Hargis's website*. JA241a.

More generally, "Building Fasteners" was irrelevant to Hargis's defense—and not mentioned in Hargis's response to B&B's preclusion motion or Hargis's own summary-judgment motion on confusion. JA178a-207a; ECF No. 100. Hargis admitted, without qualification, that it used the phonetically identical mark "SEALTITE." JA148a; *see also* JA134a,

201a (¶ 9); E.D. Ark. Local R. 56.1(c). If the phrase "Building Fasteners" had been as central to the trial defense as Hargis now suggests, surely Hargis would have mentioned the phrase during its closing argument. It did not. *See* JA275a-301a. Instead, Hargis conceded that the marks were similar, JA298a, and focused on arguing that marketplace factors overcame the similarity between "Sealtite" and "Sealtight." *See* JA279a-84a. And in its opening Hargis used "Sealtite" and "Sealtite Building Fasteners" interchangeably. *See* 2 Trial Tr. 107.

The single snippet of testimony that Hargis now cites does not distinguish the facts litigated at trial from the facts litigated before the Board. It related only to "Sealtite" as part of Hargis's trade name Sealtite Building Fasteners,[2] *not* to the broader question whether Hargis ever used the mark "Sealtite" in connection with the fasteners at issue (such as in a product name, on packaging, in a catalog, or on its website). The witness did not say that Hargis *never* uses "Sealtite" alone for any purpose. Indeed, he could not have said that, as he himself had just testified about sealtite.com, JA240a, and he had previously testified (in Board proceedings) that "at one point we put Sealtite on the bag" in which

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[2] The entire exchange was as follows:

> Q. All right. And the company, does it do business as Sealtite Building Fasteners?
>
> A. That's the only way we do business. Hargis Industries is just—it's our corporate name, our holding company if you will.
>
> Q. When you use the term Sealtite, it's used in the context of Sealtite Building Fasteners?
>
> A. Yes, it is.

5 Trial Tr. 824.

Hargis's fasteners were packaged. Crouch Dep. at 44, TTAB Docket No. 30 (filed May 12, 2006).[3]

Hargis admitted that it used the mark Sealtite, and the evidence confirms that it regularly used it without the accompanying term "Building Fasteners." *At a minimum*, therefore, preclusion applies to those uses.

2. More fundamentally, the Board had before it the phrase "Building Fasteners," which Hargis submitted with its registration materials. Pet. Br. 55. The Board can consider such specimens to understand the "commercial impression" the mark would leave. *Id.* at 51-52 & n.36.[4] Hargis made other commercial-impression arguments, but never mentioned "Building Fasteners," and a new argument cannot justify relitigation. *Id.* at 52.

Even in comparing two standard-character word marks, the Board may look at whether "the way [the] Applicant displays his mark" supports a distinct commercial impression. *In re Forshaw*, 2014 WL 4219117, at *4 (TTAB Aug. 15, 2014); *see, e.g.*, *Specialty Brands, Inc. v. Coffee Bean Distribs., Inc.*, 748 F.2d 669, 674 (Fed. Cir. 1984) (comparing word marks based in part on trade dress, which may "provide evidence of whether the word mark projects a confusingly similar commercial impression"). To be sure, a standard-character registration encompasses every conceivable font, size, or color, so the Board

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[3] To locate TTAB filings, see Pet. Br. 8 n.5.

[4] One *DuPont* factor is "the similarity or dissimilarity of the marks in their entireties as to appearance, sound, connotation, and *commercial impression*." Pet. App. 56a (quoting *In re E. I. DuPont DeNemours & Co.*, 476 F.2d 1357, 1361 (C.C.P.A. 1973)) (emphasis added).

will not consider such distinctions. Resp. Br. 55-56. But Hargis has never argued that font, size, or color affects the likelihood of confusion between SEALTIGHT and SEALTITE.

3. Most fundamentally, *the Board knew perfectly well* that Hargis made building fasteners, whereas B&B made aerospace fasteners. *See* Pet. App. 42a; JA70a. Adding the phrase "Building Fasteners" to the packaging or advertising *of building fasteners* would have done absolutely nothing to lessen consumer confusion about the *origin* of the building fasteners. "[A]lthough purchasers will certainly notice the additional words, they will regard them as merely providing further information about the [goods], and still view the marks as indicating [goods] emanating from or sponsored by the same source." *Katz Commc'ns, Inc. v. Katz Mktg. Solutions LLC*, 2013 WL 3188904, at *14 (TTAB Feb. 21, 2013). Thus, those two extra words of description are simply not relevant to the question whether Hargis was trading on B&B's mark to sell building fasteners.[5]

Hargis's defense—now, at trial, and before the Board—has always been that construction fasteners are sufficiently different from aerospace fasteners

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[5] Hargis acknowledges (Br. 55 n.12) that adding generic or descriptive material to a mark does not defeat a likelihood of confusion. Its rejoinder appears to be that B&B's mark is so weak that even generic language can distinguish it. But "the general rule . . . that a subsequent user may not appropriate the entire mark of another and avoid a likelihood of confusion by adding descriptive or subordinate matter thereto" protects even allegedly weak marks. *In re Maximum Publ'g LLC*, 2006 WL 80622, at *2 (TTAB Jan. 4, 2006); *see* 4 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 23:50, at 23-267 to 23-268 (4th ed. 2014).

that there is no likelihood of confusion, despite the near-identity of SEALTITE and SEALTIGHT. The Board rejected that defense. The district court considered the same essential facts: the same "substantially similar" marks, applied to the same "intrinsically related" goods. Pet. App. 56a, 61a. Adding a reminder that Hargis's fasteners were "Building Fasteners" does not create a new and different set of facts.

If Hargis wished to challenge the Board's conclusion that B&B had established a likelihood of confusion on those facts, its remedy was to appeal. It did not. And the facts have not changed in any way that can undo the Board's judgment that Hargis's use of its mark on construction fasteners would likely create confusion with B&B's mark. Whether that judgment is a finding of fact (B&B's view) or a conclusion of law, it is final and binding in either event.[6]

II. The Board's Judgments Are Binding

Hargis's main argument on the merits is one that it affirmatively conceded away at the certiorari stage. This case came to the Court as a case about whether the district court could deny preclusion on the ground that "likely . . . to cause confusion" means different things before the Board and the district court. And Hargis agreed, several times, that the Board sometimes *can* render a preclusive judgment.

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[6] The Board's findings on the subsidiary factors are *also* binding, and sufficient to compel judgment for B&B. Hargis contends (Br. 56-57) that it can prevail under those findings, because the Board did not rule definitively on *one* factor, consumer care. But more evidence on that point could not overcome the Board's distinct finding that the goods are intrinsically related.

Hargis cannot now turn tail and argue that the Board completely *lacks the power* to render a preclusive judgment.

Even if the Court chooses to excuse the waiver, it should swiftly reject Hargis's contention that Congress somehow set up the Board as the rare adjudicative body whose judgments can be relitigated. Hargis's reasoning is not limited to likelihood of confusion; accepting it would open a wide range of Board decisions to wasteful, pointless relitigation—for instance, priority based on first use.[7]

A. Hargis Previously Conceded That Board Decisions May Be Accorded Preclusive Effect

Merely omitting an alternative argument at the certiorari stage is enough to forfeit it. Sup. Ct. R. 15.2.[8] Hargis did not just omit this argument, but affirmatively *disclaimed* it to this Court:

> [T]he applicable law of issue preclusion is as clear as this doctrine gets: A finding of likelihood of confusion for purposes of trademark registration *may be accorded preclusive effect* in infringement litigation. *Or it may not.* The answer *depends on the factual circumstances* of the case—specifically, on the role of actual marketplace usage in the previous determination.

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[7] *See, e.g.*, *C & N Corp. v. Kane*, 953 F. Supp. 2d 903, 913-14 (E.D. Wis. 2013).

[8] Raising the argument *below* is insufficient. *E.g.*, *Kasten v. Saint-Gobain Performance Plastics Corp.*, 131 S. Ct. 1325, 1336 (2011). *Contra* Resp. Br. 27-28 n.5.

Resp. Supp. Cert. Br. 2 (emphases added); *see also id.* at 12 ("actual marketplace usage . . . is legally relevant"). That echoed Hargis's statement that "[u]nder the Eighth Circuit's decision, a TTAB finding on likelihood of confusion that accounts for the marketplace context in a meaningful way *likely would be entitled to issue preclusive effect* in a second proceeding." Br. in Opp. 21 (emphasis added); *accord id.* at 31.

Hargis's new position is irreconcilable with its old one: it now argues that a Board finding may *never* "be accorded preclusive effect," and that "the factual circumstances of the case" are totally irrelevant. Hargis's reversal should not be tolerated—particularly given the real prejudice it has now caused B&B with respect to the second question presented.

B&B preserved an argument in the petition that, *if* the issues are the same but no preclusion applies for some reason, Board decisions should at least receive a strong degree of deference. Pet. i. "No preclusion, but strong deference" is the rule in two circuits. Pet. 22-25. But Hargis rubbished that rule as a "dated" "outlier" unlikely to be followed by anyone. Resp. Supp. Cert. Br. 8; Br. in Opp. 25. And it emphasized that *no* circuit had ever adopted a rule of "no preclusion *and* no deference." *Id.* at 26. If Hargis *itself* held that extreme view, that was the time to say so. Hargis did not. Its concession seemingly mooted the deference question—and led B&B not to brief it. Hargis should not be permitted to undo that concession now.

B. Nothing In The Lanham Act Rebuts The Presumption In Favor Of Applying Preclusion

This Court has recognized a "presumption" in favor of applying preclusion doctrine "to those determinations of administrative bodies that have attained finality." *Astoria Fed. Sav. & Loan Ass'n v. Solimino*, 501 U.S. 104, 107, 108, 110 (1991). Thus, for example, an unappealed state agency decision was preclusive in a federal action under 42 U.S.C. § 1983, because Section 1983 says nothing about preclusion. *Univ. of Tenn. v. Elliott*, 478 U.S. 788, 797 (1986). By contrast, in the two cases Hargis cites, the relevant federal antidiscrimination statute contained language clearly refuting the possibility of preclusion. *Id.* at 795; *Astoria*, 501 U.S. at 110-11. Hargis identifies no such language in the Lanham Act. It proposes instead four much gauzier statutory inferences, all of which lack merit.

First, Hargis asserts (Br. 30, 34-35) that because the Board does not resolve infringement cases, its findings on an *issue* cannot be preclusive in an infringement case between the same parties. That fundamentally misunderstands the nature of issue preclusion, which does not turn on whether the two cases involve the same underlying claim. *See* Pet. Br. 23-24. State courts have absolutely no jurisdiction over patent-infringement cases—but when a state-law judgment resolved the ownership of a patent, this Court nonetheless gave that judgment issue-preclusive effect in a federal patent case. *See Becher v. Contoure Labs., Inc.*, 279 U.S. 388, 390-92 (1929); *see also* Pet. Br. 24-25.

Second—assuming its own conclusion—Hargis asserts (Br. 28-32) that registration and infringement are so different that a judgment as to one cannot possibly preclude litigation of the other. In fact the relevant statutory text is the same. *See* Part I, *supra*. Furthermore, registration and infringement are often litigated *in the same proceeding* in district court. Pet. Br. 31-34. And to the extent Hargis seeks to rely on aspects of the Board's procedures (such as limits on discovery), such limits appear nowhere in the Lanham Act, but only in the Board's own rules.[9] By definition, those rules cannot show that *Congress* intended to rule out preclusion. Hargis's first set of supposed "textual signals" (Resp. Br. 31) turns out to rely on no statutory text at all.

Third, treating Board decisions as preclusive does not render infringement litigation "*pro forma*," Resp. Br. 32, because parties to infringement litigation need not and often do not go to the Board first.[10] By contrast, in the discrimination cases Hargis cites, the complainants were *required* by federal law to exhaust the substance of their federal claims before an agency first,[11] but Congress provided that they would be able to sue in federal court afterward. That provision would have had no point if preclusion applied, because success before the agency would moot a fed-

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[9] Hargis's arguments about the Board's procedures would not be well taken even if they were relevant. *See* pp. 19-22, *infra*.

[10] Even if they do go to the Board, the Board may wait for the civil action. 37 C.F.R. § 2.117. And if it does proceed, its registration decision will not overlap with every element of infringement.

[11] The complainants had no control over whether the complaint went to a federal or state agency. *Astoria*, 501 U.S. at 113.

eral suit and failure before the agency would preclude it. *Astoria*, 501 U.S. at 111.

Fourth, Hargis asserts that because Board decisions may be reviewed *de novo* if appealed to the district court, they must not be preclusive if *not* appealed. That does not follow at all. Preclusion does not apply to the appeal because "such a review is a continuation of the original administrative litigation and the final outcome is still in contest." *Restatement (Second) of Judgments* § 83 cmt. a (1980) (*Restatement*). But that has no bearing on whether preclusion applies when a losing party decides *not* to appeal, and "the final outcome" is no longer "in contest." It is entirely normal, not "absurd" (Resp. Br. 34), to have appellate review be *de novo* but an unappealed judgment be preclusive. *See, e.g., Federated Dep't Stores, Inc. v. Moitie*, 452 U.S. 394, 396, 400-01 (1981); U.S. Br. 19.[12]

Hargis's premise is faulty in any event. Board decisions generally are reviewed deferentially, under the Administrative Procedure Act (APA). That changes only if the parties (a) opt for the district court rather than the Federal Circuit, *and* (b) adduce new evidence. *Cf. Hyatt v. Kappos*, 625 F.3d 1320, 1336 (Fed. Cir. 2010) (en banc) (so holding in the context of the analogous tribunal for patents), *aff'd*, 132 S. Ct. 1690 (2012).[13] Just because Congress al-

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[12] That is so even when the review allows new evidence. Several jurisdictions allow the losing party in first-level courts to elect an entirely new trial in the next-level court. But if the loser does not timely make that election, the first-level court's judgment is still preclusive. *E.g., Masko v. City of Madison*, 665 N.W.2d 391, 396 (Wis. Ct. App. 2003).

[13] Electing the district court does not necessarily mean dissatisfaction with the Board record: the *prevailing* party before the

lowed *de novo* review *sometimes* does not mean it rejected preclusion *all the time*.

C. Applying Preclusion Is Constitutional

Failing to find anything in the statute that could defeat preclusion, Hargis turns to the Seventh Amendment and to the vesting clause of Article III. That last-ditch effort fails. For these purposes, agency tribunals are no different from state courts or equity courts: litigants cannot escape the binding force of their judgments just by filing an action at law in a federal court.

1. Hargis concedes (at 38-39) that this Court has already rejected the argument that issue preclusion unconstitutionally usurps the role of the jury. *See Parklane Hosiery Co. v. Shore*, 439 U.S. 322, 333-37 (1979) (squarely holding that a prior adjudication, with no jury, is preclusive in a subsequent case, even if a jury would hear the second case). Under *Parklane*, preclusion is consistent with the Seventh Amendment—whether the preclusive judgment comes from a federal court sitting without a jury, a state court, or an agency.

Hargis seeks to escape *Parklane*'s holding with the simplistic notion (Br. 39) that federal agencies are different because they did not perform adjudications in 1791.[14] That overlooks what *did* exist in 1791:

Board can force review in the district court even when the losing party prefers review in the Federal Circuit. *See* 15 U.S.C. § 1071(a)(1) (proviso).

[14] The United States also had no civil-law jurisdictions in 1791. But today, federal courts treat Louisiana judgments as preclusive, even where Louisiana accords no jury-trial right. So too

the principle that the jury-trial right is not a license to reopen final judgments. The identity of the tribunal did not matter: the rule of finality "extend[ed] to matters litigated before competent tribunals in foreign countries[,] . . . to ecclesiastical tribunals—and, in short, to every Court which has proper cognizance of the subject matte[r], so far as they profess to decide the particular matter in dispute." *Hopkins v. Lee*, 19 U.S. (6 Wheat.) 109, 114 (1821). If the judgment of an "ecclesiastical tribunal[]" between the same parties on the same question was binding in an action at law in federal court, surely the same is true of a federal agency adjudication.[15] In each case, "there is no further factfinding function for the jury to perform, since the common factual issues have been resolved in the previous action." *Parklane*, 439 U.S. at 336.

2. Giving preclusive effect to the Board's prior adjudication is not the same thing as "mandating that traditional legal claims be brought" before the Board. *Granfinanciera, S.A. v. Nordberg*, 492 U.S. 33, 51-52 (1989); Resp. Br. 38. As respondents emphasize elsewhere in their brief, the Board decides only the right to federal registration—a "public right" that the Board may decide without transgressing Article III. *See Granfinanciera*, 492 U.S. at 51; *cf. Joy Techs., Inc. v. Manbeck*, 959 F.2d 226, 228-29 (Fed. Cir.

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where state law would treat a claim as equitable (and deny jury trial) but federal law would not. *Cf. Simler v. Conner*, 372 U.S. 221 (1963) (per curiam).

[15] Recognizing preclusion here—in which both parties were parties to the prior judgment—is if anything *more* clearly consistent with the original understanding of the Seventh Amendment than the *nonmutual* estoppel upheld in *Parklane*. *See* 439 U.S. at 335-37.

1992) (applying *Granfinanciera* to reject an Article III challenge to the Board of Patent Appeals and Interferences).[16]

No one made Hargis invoke the jurisdiction of the Board by seeking federal registration for its own mark or petitioning to cancel B&B's registration. But once Hargis voluntarily did so, it was "bound by what is . . . determined" by the Board if those determinations overlap with future cases.[17] *Katchen v. Landy*, 382 U.S. 323, 334 (1966); *see Stern*, 131 S. Ct. at 2616. That does not violate the Seventh Amendment or Article III, any more than does giving effect to a state court or agency's nonjury finding in a federal Section 1983 action, *see Elliot*, 478 U.S. at 797-98; *Allen v. McCurry*, 449 U.S. 90, 103-05 (1980), or a state probate or divorce court's finding in a federal patent case, *cf. Becher*, 279 U.S. at 390-92.

Ultimately, Hargis insists that it is always entitled to "its initial audience in front of an Article III court." Resp. Br. 37. But this Court has already held the opposite: "a person claiming a federal right" is not guaranteed "an unrestricted opportunity to relitigate an issue already decided" elsewhere. *Allen*, 449 U.S. at 104. State tribunals' decisions on likelihood of confusion are binding in federal court. Pet. Br. 40 n.25. So is a federal court's decision in an ac-

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[16] *See also Stern v. Marshall*, 131 S. Ct. 2594, 2615 (2011) (making clear that agency adjudication "under a substantive regulatory scheme" is "markedly distinct" from the situation the Court was considering—adjudication of a "common law cause of action" by a non-Article III judge).

[17] B&B invoked preclusion only as to *one* element of infringement. Any dispute on the other elements (such as use in commerce) would have gone to the jury, but Hargis admitted that those elements were satisfied. *See* JA134a, 201a (¶¶ 9-10).

tion seeking only equitable relief. Once Hargis decided to forgo its option of seeking review—potentially *de novo* review with new, live evidence—in an Article III court, the Board's judgment became binding as well.

D. Hargis Received Full And Fair Process Before The Board

Hargis also argues in passing (Br. 32) that the way discovery and testimony work before the Board justifies denying the Board's judgments preclusive effect. But as Hargis's own *amici* recognize (NYIPLA Br. 12; Tex. Bar Br. 22), those arguments properly are directed to whether the Board offered Hargis a full and fair opportunity to litigate. As Hargis previously emphasized, that is a "separate and distinct element of issue preclusion." Br. in Opp. 28; *see id.* at 24. Hargis never disputed that that element was met, and it never even mentioned how the Board handles discovery or testimony. Accordingly, the Eighth Circuit agreed that "[t]he element at issue in this case is the second one—whether the issue sought to be precluded is the same as the issue involved in the prior action." Pet. App. 8a.

Hargis's arguments are not well taken in any event. Neither the discovery process nor the testimony rules rendered the Board's decision unfair. *See generally* IPLAC Br. 7-11; U.S. Br. 18.

1. Hargis asserts, without basis, that it was denied "the opportunity to engage in full scale discovery." Resp. Br. 32 (citation omitted). That is nonsense. The Federal Rules of Civil Procedure, including those governing discovery, apply to Board proceedings with only minor modifications. *See* 37 C.F.R.

§ 2.120(a)(1). In some respects the Board's procedures are *more* generous than the Civil Rules. *Compare, e.g., id.* § 2.120(d)(1) (75 interrogatories), *with* Fed. R. Civ. P. 33(a)(1) (25). Hargis was able to propound written discovery, obtain documents, and take depositions. And it did so; indeed, it does not identify anything it wanted in discovery but was unable to get.

Various *amici* contend that the Board's modest reluctance to allow unlimited electronic discovery (never invoked in this case) somehow makes proceedings unfair. *E.g.*, INTA Br. 22. E-discovery may be expensive, but it is hardly the gold standard of due process. And in any event, "[electronically stored information] must be produced in Board proceedings where appropriate." *Frito-Lay N. Am. Inc. v. Princeton Vanguard LLC*, 100 U.S.P.Q.2d 1904, 1907 (TTAB 2011).

2. Hargis asserts that it did not get to "call witnesses." Br. 32 (citation omitted). That is simply not so. Hargis called its own witnesses and cross-examined B&B's. The Board members were not present, but *live* testimony has never been a condition of preclusion.[18]

For instance, preclusive judgments may be based on written motions decided by a judge who never sees witnesses. Indeed, here Hargis does not contend that there was any material factual dispute be-

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[18] The footnote on which Hargis relies makes no reference to live testimony—only to inability to "call witnesses." *Parklane*, 439 U.S. at 331 n.15.

fore the Board at all, except for the ultimate question of likelihood of confusion.[19]

The law of judgments does not require greater process than the APA. *See Restatement* § 83 cmt. c. And "[g]enerally, the ultimate factfinder in administrative proceedings is a commission or board, and such trier has not heard the witnesses testify." *United States v. Raddatz*, 447 U.S. 667, 680 (1980). The APA provides for subpoenas and cross-examination, but the agency decisionmaker need not observe the testimony in person. *See* 5 U.S.C. § 557(b) (agency may "make[] the decision without having presided at the reception of the evidence"); *accord, e.g., Universal Camera Corp. v. NLRB*, 340 U.S. 474, 494 (1951) (the APA "permits agencies to use examiners to record testimony but not to evaluate it"); *see also* Model State Administrative Procedure Act §§ 413(b), 415 (2010). Indeed, while the agency "may defer to the findings of a hearing officer, that is not compelled." *Raddatz*, 447 U.S. at 680. The same is true under other agency statutes.[20]

There are many "conventional substitutes for live testimony." *Gagnon v. Scarpelli*, 411 U.S. 778, 782 n.5 (1973). Depositions, with full adversarial cross-

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[19] Hargis refers (Br. 31 n.7) to trial evidence the district court found untrue. That is inapposite—it related to a theory not before the Board (did B&B intend to start making *construction* fasteners, too?) and on which B&B does not seek preclusion. JA375a. No one has ever suggested that the Board proceedings, or any of B&B's evidence or testimony before the Board, were in any way tainted.

[20] *See, e.g., Utica Mut. Ins. Co. v. Vincent*, 375 F.2d 129, 132 (2d Cir. 1967) (Friendly, J.) (due process imposes no rule "that the decider must actually hear the witnesses or be furnished a report on their credibility").

examination, are a fully adequate one. *See Facchiano v. U.S. Dep't of Labor*, 859 F.2d 1163, 1165 & n.2, 1167 (3d Cir. 1988) ("perceiv[ing]" no "unfairness" in according preclusive effect to an agency's debarment proceeding based on documentary evidence and written briefs, despite lack of oral hearing). And the Board permits two rounds of depositions—discovery depositions and testimonial ones. *See Trademark Trial and Appeal Board Manual of Procedure* § 404.09 (2014). Hargis received all the process it was due.

E. The Board's Decision Would At A Minimum Be Due Deference

No court of appeals has adopted Hargis's extreme position that a factfinder in infringement litigation should completely disregard a Board decision on an identical issue. Two courts of appeals do hold that in deciding whether to *apply* Board findings, in subsequent infringement litigation, a district court should apply the deferential standard governing *appeals* of Board decisions, instead of preclusion. Those decisions are wrong, *see* p. 15, *supra*, but at least they recognize that final findings should receive no *less* deference than findings on appeal. Pet. 22-25.

If this Court were to allow Hargis to resurrect its no-preclusion-ever argument, it should answer the second question presented by holding that the Board considered the same issue and the same facts and that its decision therefore should have received "great weight." *McDonald v. City of W. Branch*, 466 U.S. 284, 292 n.13 (1984) (quoting *Alexander v. Gardner-Denver Co.*, 415 U.S. 36, 60 n.21 (1974)). *Cf. Hyatt*, 132 S. Ct. at 1700.

Deference would require reversal here, because the *factfinder*—the jury—could not consider the Board's decision on likelihood of confusion *at all*, much less give it great weight. *See* Pet. Br. 12. It does not matter (*contra* Resp. Br. 54, 58 n.13) that the *judge* thought the Board's decision wrong, especially because the judge thought the Board had decided a different issue. Cert. Reply 9-10.

III. No One Defends The Eighth Circuit's Ill-Founded Burden-Shifting Rationale.

Hargis has, refreshingly, abandoned any defense of the court of appeals' supposed "alternative" ground for decision—the notion that the burden of proof differed before the Board and the district court. As B&B and the government previously showed, that alternative ground was based on a basic misunderstanding of Board procedure. Pet. Br. 44-47; U.S. Br. 16. Hargis has never disagreed, although at the certiorari stage, Hargis took a stab at reformulating that rationale into something else. Br. in Opp. 33-34; Resp. Supp. Cert. Br. 11-12; *see* Cert. Reply 11-12. The attempt has now been abandoned: neither Hargis's merits brief nor any *amicus* offers even a word in defense of any burden-shifting rationale. The supposed alternative ground therefore cannot stand in the way of outright reversal.

CONCLUSION

The judgment of the court of appeals should be reversed, and the case should be remanded with instructions to enter judgment for B&B on infringement.

Respectfully submitted.

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APPENDIX

APPENDIX

15 U.S.C. § 1127 provides in pertinent part:

Construction and definitions; intent of chapter

In the construction of this chapter[*], unless the contrary is plainly apparent from the context—

* * * *

The term "colorable imitation" includes any mark which so resembles a registered mark as to be likely to cause confusion or mistake or to deceive.

* * * *

A "counterfeit" is a spurious mark which is identical with, or substantially indistinguishable from, a registered mark.

* * * *

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[*] The word "Act" in the Lanham Act, § 45, 60 Stat. 443 (1946), appears as "chapter" in the United States Code.

SUPPLEMENTAL BRIEF

No. 13-352

IN THE

Supreme Court of the United States

B&B HARDWARE, INC.,

Petitioner,

v.

HARGIS INDUSTRIES, INC., D/B/A SEALTITE BUILDING FASTENERS, D/B/A EAST TEXAS FASTENERS, *ET AL.*,

Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Eighth Circuit

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IN THE
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B&B HARDWARE, INC.,
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Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Eighth Circuit

SUPPLEMENTAL BRIEF FOR RESPONDENTS

INTRODUCTION

The United States has submitted a brief ostensibly in favor of certiorari that reads like one in opposition. It observes that the issue presented "does not appear to arise frequently" and counsels that "this Court's review is not imperative at this time." U.S. Br. 18, 22. Nor does the United States find a circuit split to write home about; instead, it notes "slight[ ] differen[ces]" between the standards of two circuits, one of which has no authority to address the question presented, *id.* at 19; acknowledges that two others have not applied their precedents "recently," *id.* at 21; and rejects one of the principal splits relied on by the petition, *id.* at 21-22.

And the United States cautions that if this Court attempts to apply a legal standard "to the facts of this case," the Court "might encounter difficulty in discerning from the record precisely" what the two prior proceedings entailed. *Id.* at 22-23.

All this hemming and hawing gainsays the United States' suggestion that this case should be granted.

The best the United States can say is that review "would help to clarify the law in this area." U.S. Br. 18. But the applicable law of issue preclusion is as clear as this doctrine gets: A finding of likelihood of confusion for purposes of trademark registration *may* be accorded preclusive effect in infringement litigation. Or it may not. The answer depends on the factual circumstances of the case—specifically, on the role of actual marketplace usage in the previous determination. *Every* circuit and administrative body to address the issue in the past twenty-five years has adopted this principle.

The court of appeals' application of that principle to this case was correct. Proof of infringement under the Lanham Act "requires a showing that the defendant's *actual practice* is likely to produce confusion." *KP Permanent Make-Up, Inc.* v. *Lasting Impression I, Inc.*, 543 U.S. 111, 117 (2004) (emphasis added). Here, two separate juries, ten years apart, rejected B&B's claims of trademark infringement. Pet. App. 2a-3a. B&B attempted to overturn those verdicts through a particularly bold offensive collateral estoppel gambit: it asked the courts below to hold that the TTAB's *registration* decision, which prioritized the two marks' abstract similarity over their actual use, conclusively established *infringement*—an audacious request

given that the TTAB itself emphasized that B&B was "precluded from enjoining [Hargis] from using its mark" and could only "prevent [Hargis] from registering its mark." Pet. App. 48a.

The court of appeals correctly rejected that gambit. And every court and administrative body that has addressed this issue would have done the same. Certiorari is not warranted.

ARGUMENT

I. EVERY COURT AND ADMINISTRATIVE BODY TO HAVE ADDRESSED PRECLUSION IN THE PAST TWENTY-FIVE YEARS HAS APPLIED THE STANDARD APPLIED BY THE COURT OF APPEALS.

Before examining what the United States calls "inconsistent approaches" by some courts to preclusion in the trademark context, U.S. Br. 18, it is important to note what the United States does *not* argue. In its petition, B&B characterized the court of appeals' decision as a categorical bar against preclusion. *See* Pet. 14-17, 26-27. The United States rejects that interpretation. U.S. Br. 10. B&B asserted that the decision below conflicted with decisions by the Third and Seventh Circuits. Pet. 17-20; Reply 6. The United States disagrees. U.S. Br. 21-22. And B&B relied heavily on alleged differences between the court of appeals' reasoning and TTAB precedent. Pet. 14-17; Reply 3-4. The United States does not cite a single TTAB decision on preclusion.

In fact, when the United States does purport to find "standard[s]" that "appear[ ] to be slightly different" in the Second and Federal Circuits, it relies on a single case from each circuit. U.S. Br. 18-

19. With such a limited view, appearances can be deceiving. And the United States' omission of any mention of the TTAB's precedent, despite B&B's heavy reliance on it, speaks volumes. When all the relevant decisions are considered, any "slight differences" disappear.

Federal Circuit/TTAB: The United States acknowledges that the Federal Circuit has never addressed the question presented; nor can it, given the statutory structure of the Lanham Act. U.S. Br. 18. But to the extent its reasoning is relevant, there is no conflict with the decision below. The Federal Circuit has recognized that "a trademark infringement action in the district court is not automatically of preclusive effect," *Mayer/Berkshire Corp.* v. *Berkshire Fashions, Inc.*, 424 F.3d 1229, 1232 (Fed. Cir. 2005), and that "the issue of likelihood of confusion in a prior [registration] proceeding" may be "sufficiently different from the issue of likelihood of confusion presented in subsequent litigation such that the Board's finding [would] not have preclusive effect," *FirstHealth of Carolinas, Inc.* v. *CareFirst of Md., Inc.*, 479 F.3d 825, 828 n.1 (Fed. Cir. 2007). That is because a "product-specific focus in infringement litigation is common." *Levi Strauss & Co.* v. *Abercrombie & Fitch Trading Co.*, 719 F.3d 1367, 1373 (Fed. Cir. 2013).

The United States picks out a quote from *Levi Strauss* denying preclusion *on the facts of that particular case* as if that quote is the standard for issue preclusion. U.S. Br. 18. Not so. The Federal Circuit applies the same inquiry undertaken by the court of appeals below—"whether the issue decided

in the infringement litigation is sufficiently the same as that involved in the [registration] proceeding" for preclusion to apply. *Jet, Inc.* v. *Sewage Aeration Sys.*, 223 F.3d 1360, 1366 (Fed. Cir. 2000); *accord* Pet. App. 8a. And, as *Levi Strauss* recognized, the "product-specific focus in infringement litigation" may cause the issues to diverge. 719 F.3d at 1373; *accord* Pet. App. 10a.

Though the Federal Circuit has not applied this standard to a case like this one, the TTAB has. And it reached the same conclusion as the courts below. *Checkpoint Systems, Inc.* involved, as here, two phonetically identical marks used on distinct products sold in different channels of trade. *Checkpoint Sys., Inc.*, Opposition Nos. 102,309; 105,259, 2002 WL 1181046, at *3-*4 (TTAB May 31, 2002) (non-precedential opinion). And, as here, the district court concluded that there was no likelihood of confusion because, though the marks were "substantially identical," "the parties d[id] not market their products through the same trade channels or markets" and "their target customers generally belong[ed] to distinctly different groups." *Checkpoint Sys., Inc.* v. *Check Point Software Techs., Inc.*, 104 F. Supp. 2d 427, 457, 467 (D.N.J. 2000), *aff'd*, 269 F.3d 270 (3d Cir. 2001); *compare* Pet. App. 33a-38a. The only difference in *Checkpoint* was that the infringement litigation had come first. In the subsequent registration proceeding, the TTAB denied preclusion because "the District Court's determination of no likelihood of confusion between the parties' marks (with respect to infringement) was largely predicated on actual market conditions." *Checkpoint*, 2002 WL 1181046, at *4.

The TTAB's decision in *Checkpoint* was a straightforward application of Federal and Second Circuit precedent: "the standards and factual inquiries by which likelihood of confusion is judged in an [registration] proceeding 'can be different' from those in an infringement action." *Id.* at *3 (quoting *Levy* v. *Kosher Overseers Ass'n of Am., Inc.*, 104 F.3d 38, 42 (2d Cir. 1997)). When the likelihood-of-confusion analysis "with respect to infringement" is "largely predicated on actual market conditions," *id.* at *4, the inquiry is different and preclusion inappropriate. That is precisely what happened below. Pet. App. 9a-10a; 33a-38a.

Second Circuit: The United States never asserts a conflict between the decision below and the Second Circuit—only that the Second Circuit's standard "appears to be slightly different from the Federal Circuit's." U.S. Br. 19. But like the Federal Circuit and TTAB, the Second Circuit recognizes that the likelihood-of-confusion analysis in registration proceedings and infringement litigation is not necessarily identical. *See Levy*, 104 F.3d at 42; *Jim Beam Brands Co.* v. *Beamish & Crawford Ltd.*, 937 F.2d 729, 734 (2d Cir. 1991). In fact, every court the United States claims has adopted a different approach cites *Jim Beam* as the appropriate standard. *See* Pet. App. 8a; *FirstHealth*, 479 F.3d at 828 n.1; *Jet, Inc.*, 223 F.3d at 1366; *see also Checkpoint*, 2002 WL 1181046, at *3. Applying *Jim Beam* in *Levy*, the Second Circuit held that "[f]or a TTAB or Federal Circuit determination of 'likelihood of confusion' to have a collateral estoppel effect in a trademark infringement action, the TTAB or Federal Circuit must have taken into account, in a

meaningful way, the *context* of the marketplace." 104 F.3d at 42.

The United States opines that the *Levy* formulation is "insufficiently precise" because it "require[s] scrutiny into how 'meaningful' the Board's consideration of the marketplace context was." U.S. Br. 19. But *Levy* is not imprecise at all: the scrutiny it requires is necessary to determine, under *Jim Beam*, whether actual marketplace usage was "immaterial" to the registration decision or instead played a "meaningful" role. *See Jim Beam*, 937 F.2d at 735.

The Second Circuit thus relies on the same basic principle adopted by the Federal Circuit and TTAB, *see Levi Strauss*, 719 F.3d at 1373; *Checkpoint*, 2002 WL 1181046, at *4, and applied by the court below, *see* Pet. App. 9a-10a: when actual marketplace usage plays a meaningful role in the infringement—but not the registration—determination of likelihood-of-confusion, preclusion may not be appropriate.

Fifth and Eleventh Circuits: In 1974, the former Fifth Circuit held that TTAB decisions can never have preclusive effect due to the Lanham Act's statutory structure, but should be given deference. *American Heritage Life Ins. Co.* v. *Heritage Life Ins. Co.*, 494 F.2d 3 (5th Cir. 1974). In 1985, the Eleventh Circuit reaffirmed that precedent. *Freedom Sav. & Loan Ass'n* v. *Way*, 757 F.2d 1176 (11th Cir. 1985). The United States concedes that these circuits have "not applied those precedents recently," but maintains these decisions warrant certiorari because they "remain binding." U.S. Br. 21. That phrasing is convenient: *no* district court within the Fifth and Eleventh Circuit has *ever*

applied these precedents to the question presented here.

If, after twenty-five years of silence, the issue did arise again, these two circuits might very well revisit their dated precedent, just as the court of appeals did here. *See* Pet. App. 4a-8a (adopting the *Jim Beam* standard and rejecting the categorical preclusion rule of *Flavor Corp. of America* v. *Kemin Industries, Inc.*, 493 F.2d 275 (8th Cir. 1974)). Further percolation, or at least *some* percolation, in these circuits is thus more appropriate.

* * * *

The United States' recommendation of certiorari, such as it is, thus rests on two tenuous branches: (1) the Federal Circuit, which the United States admits has no statutory authority to address the question presented, U.S. Br. 18-19, and in any event applies the same principle as the court of appeals; and (2) the Fifth and Eleventh Circuits, whose "binding" precedent, *id.* at 21, has, in the past twenty-five years, *never* been determinative of the question presented in those circuits. Certiorari is thus not only "not imperative," *id.* at 18; review would waste this Court's resources.

II. THE COURT OF APPEALS' DECISION WAS CORRECT.

1. The court of appeals correctly concluded that the TTAB's "greater emphasis" on the appearance and sound of the two marks in the registration proceeding and its failure to give actual marketplace usage the "critical" weight required in an infringement proceeding made preclusion inappropriate. Pet. App. 10a. For issue preclusion to apply, the issue decided in the prior proceeding "must be the same as the one presented" to the latter court. *Smith* v. *Bayer Corp.*, 131 S. Ct. 2368, 2376 (2011). And hornbook preclusion law provides that "issues are not identical if the second action involves application of a different legal standard, even though the factual setting of both suits be the same." 18 C. Wright, A. Miller, & E. Cooper, *Federal Practice & Procedure* § 4417 (2d ed. 2014); *accord Jim Beam*, 937 F.2d at 734.

The United States asserts that "the basic legal standard" is "the same in both a registration proceeding and an infringement action." U.S. Br. 12. But that absolute position is contradicted by every court, administrative body, and commentator, all of which recognize that the standard *may* be different as applied in a particular case. *See, e.g.*, 6 *McCarthy on Trademarks* § 32:101 (4th ed. 2014); *Levy*, 104 F.3d at 41; *see also Checkpoint*, 2002 WL 1181046, at *5 (clarifying that its denial of preclusion was based not on a "change in circumstances" but "on the different *standard* applied by the District Court") (emphasis added); BIO 5-6.

Smith v. *Bayer Corp.* illustrates the error of the United States' assumption. In *Smith*, this Court

held that a similar issue presented in separate federal and state class action lawsuits—whether common issues of law and fact predominated within the meaning of the nearly identical federal and state class-certification rules—was *not* the same issue. 131 S. Ct. at 2377-79. The two courts addressed "distinct questions" because the federal court regarded the presence of one individualized issue as determinative against predominance, but the state court gave it less weight. *Id.* at 2378-79.

The court of appeals applied the same analysis. It recognized that the TTAB had placed "greater emphasis on the appearance and sound when spoken of the two marks," while "ignor[ing] a critical determination of trademark infringement, that being the marketplace usage of the marks and products." Pet. App. 10a. Just as in *Smith*, the different weight the TTAB and district court accorded to actual marketplace usage distinguished the two likelihood-of-confusion determinations. And when "'different legal standards * * * masquerad[e] behind similar legal labels'" in this way, "preclusion is 'inappropriate.'" *Smith*, 131 S. Ct. at 2377 (quoting 18 *Federal Practice & Procedure* § 4417); *see also Mayeske* v. *Int'l Ass'n of Fire Fighters*, 905 F.2d 1548, 1553 (D.C. Cir. 1990) (Thomas, J., joined by Ginsburg, R. B., J.) (prior determination that the plaintiff was a *statutory* employee did not preclude consideration of whether she was a *common-law* employee because "the question of control * * * play[ed] a central role" in the latter determination but not the former). The court of appeals' decision, like *Checkpoint* and *Jim Beam*, thus follows directly from hornbook preclusion law.

2. The United States also claims that the court below "relied on three legally irrelevant factors." U.S. Br. 15. But it misapprehends the court's reasoning.

a. The United States suggests that the majority "relied on" the difference between the Federal Circuit's and Eighth Circuit's multi-factored tests as a "sufficient basis" to deny preclusion. U.S. Br. 15. But it was not the "different multi-factored standard" that thwarted preclusion, U.S. Br. 10; it was the role actual usage played, or did not play, in each proceeding, Pet. App. 10a.

b. The court of appeals *did* rely on the second "legally irrelevant" factor the United States cites (Br. 15): the weight given to actual marketplace usage in the registration proceeding. As well it should have. That is the governing inquiry in every circuit and the TTAB. *See supra* 3-6. And its conclusion was not mere "disagreement" with the TTAB's "legal or factual analysis," U.S. Br. 15; it was the straightforward application of settled preclusion principles, *see supra* 7-8. The court of appeals concluded that the registration standard as applied by the TTAB in this specific case was distinct from the infringement standard. Pet. App. 10a. Accordingly, preclusion was inappropriate.

c. Finally, the United States takes issue with the court of appeals' separate burden-shifting rationale. U.S. Br. 16. But even B&B recognizes that rationale as an *independent ground* for the decision. Pet. 30-31; Reply 11. If anything, this alternative holding is a reason *not* to grant certiorari because it

independently supports the judgment below. *See* BIO 33-35.[1]

3. In short, the first and third "legally irrelevant factors" (U.S. Br. 15) were just that: irrelevant to the resolution of the issue below, and the question presented here. Granting certiorari to "correct" them would be a futile exercise.

And under hornbook preclusion principles, the second factor—actual marketplace usage—is legally relevant. Indeed, the United States' proposed standard also relies on this factor, U.S. Br. 22-23, and it urges remand because the Court "might encounter difficulty" in applying that standard to the record below, *id.* Not so. A cursory review of the record makes clear that the United States' proposed standard would lead to the same result. And a single fact illustrates why: evidence in the district court revealed that, in *actual marketplace usage*, "Hargis always uses the term 'Sealtite' in the context of 'Sealtite Building Fasteners.'" Pet. App. 35a. The TTAB never considered that fact. Nor could it: The question before it was limited to whether the mark "Sealtite," *standing alone*, created a likelihood of confusion with the mark "Sealtight." *See* 4A L. Altman & M. Pollack, *Callman on Unfair Competition, Trademarks, and Monopolies* § 26:28 (4th ed. 2014) (in infringement, courts may consider the way marks "actually appear on the goods," but

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[1] The United States cites an out-of-circuit case to undermine this independent ground, U.S. Br. 16, but the jury below was instructed contrary to that decision. *See* Jury Instruction No. 4, Dkt. 204 ("If, on any issue in the case, the evidence is equally balanced, you cannot find that issue has been proved.").

registration proceedings are limited to "the marks as registered or presented").

After a seven-day trial with extensive evidence on actual marketplace usage, a unanimous jury not only found no likelihood of confusion and no infringement, but also found B&B guilty of false advertising and false designation of origin based on its attempts to *fabricate* evidence of confusion in the marketplace. *See* Pet. App. 3a-4a; 13a-14a. Under *any* standard—aside from the absolute rule of preclusion suggested by B&B (Pet. 12-13, 26) but adopted by no court—the TTAB's likelihood-of-confusion determination, based almost entirely on the phonetic identity of the marks, would not preclude the jury from reaching the result it reached below. This Court should not grant certiorari to resolve a question that is not determinative.

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted,

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AMICUS CURIAE BRIEF

No. 13-352

In the Supreme Court of the United States

B&B HARDWARE, INC., PETITIONER

v.

HARGIS INDUSTRIES, INC., DBA SEALTITE BUILDING FASTENERS, DBA EAST TEXAS FASTENERS, ET AL.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE EIGHTH CIRCUIT

BRIEF FOR THE UNITED STATES AS AMICUS CURIAE SUPPORTING PETITIONER

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QUESTIONS PRESENTED

The United States Patent and Trademark Office's Trademark Trial and Appeal Board (Board) determined that respondent was not entitled to register the trademark SEALTITE because respondent's use of that mark was likely to cause confusion with petitioner's previously registered mark SEALTIGHT. Petitioner brought a trademark-infringement action against respondent in federal district court, alleging that respondent's use of its SEALTITE mark was likely to cause confusion with petitioner's mark. The questions presented are as follows:

1. Whether the district court in the infringement action should have given preclusive effect to the Board's likelihood-of-confusion determination.

2. Whether, in the alternative, the district court should have given some measure of deference to the Board's likelihood-of-confusion determination.

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In the Supreme Court of the United States

No. 13-352

B&B HARDWARE, INC., PETITIONER

v.

HARGIS INDUSTRIES, INC., DBA SEALTITE BUILDING FASTENERS, DBA EAST TEXAS FASTENERS, ET AL.

ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE EIGHTH CIRCUIT

BRIEF FOR THE UNITED STATES AS AMICUS CURIAE SUPPORTING PETITIONER

INTEREST OF THE UNITED STATES

This case concerns the preclusive effect of decisions of the Trademark Trial and Appeal Board, a tribunal within the United States Patent and Trademark Office, in trademark-infringement suits. 15 U.S.C. 1067. At the Court's invitation, the United States filed a brief as amicus curiae at the petition stage of this case.

STATUTORY PROVISIONS INVOLVED

The pertinent statutory provisions are reproduced in the appendix to this brief. App., *infra*, 1a-12a.

STATEMENT

A. Statutory Scheme

In the Trademark Act of 1946 (Lanham Act), 15 U.S.C. 1051 *et seq.*, Congress created a comprehensive national trademark-registration system and established a federal administrative and judicial framework for protecting trademarks against infringement, dilution, and unfair competition. This case concerns the interaction between two adjudicative provisions of that statutory scheme: the registration provisions, which are administered by the United States Patent and Trademark Office (PTO), and the infringement provisions, which are enforced by civil actions in federal district courts.

1. a. Under the common law of unfair competition, a person acquires rights in a trademark—generally, a word or symbol used to identify goods—through the use of the mark in commerce. 1 Anne Gilson LaLonde, *Gilson on Trademarks* § 3.02[2][a] (2014) (*Gilson*). Once established, those common-law rights enable the owner of the trademark to exclude others from using certain similar marks on goods. See *ibid.*

The Lanham Act confers additional benefits on trademark owners who federally register their marks. See *Wal-Mart Stores, Inc.* v. *Samara Bros.*, 529 U.S. 205, 209 (2000). The "owner of a trademark used in commerce" may apply to the PTO to register the mark on the PTO's "principal register." 15 U.S.C. 1051(a)(1); 35 U.S.C. 2(a)(1). The application must include a description of the goods in connection with which the applicant uses the mark. 15 U.S.C. 1051(a)(2); 37 C.F.R. 2.32(a)(6) and (c). Registration, if approved by the PTO, operates as "prima facie evidence * * * of the [registrant's] exclusive right to

use the registered mark in commerce on or in connection with the goods * * * specified in the [registration] certificate, subject to any conditions or limitations stated in the certificate." 15 U.S.C. 1057(b), 1115(a). It also serves as nationwide constructive notice of the registrant's claim of ownership of the mark, 15 U.S.C. 1072, which forecloses certain defenses in infringement actions. See 1 *Gilson* § 4.02.

A registered trademark can become "incontestable" after five years, at which point its validity can be challenged only on limited grounds. 15 U.S.C. 1065, 1115(b); see *KP Permanent Make-Up, Inc.* v. *Lasting Impression I, Inc.*, 543 U.S. 111, 117 (2004); 1 *Gilson* § 4.03. For example, although trademarks that are "merely descriptive" of the owner's goods are generally invalid unless they have acquired "secondary meaning," *Park 'N Fly, Inc.* v. *Dollar Park & Fly, Inc.*, 469 U.S. 189, 194 (1985), an incontestable mark cannot be invalidated for mere descriptiveness, 15 U.S.C. 1065, 1115(b).

In determining whether to register a mark, the PTO evaluates whether the mark described in the application for registration "so resembles" an existing mark "as to be likely, when used on or in connection with the goods of the applicant, to cause confusion, or to cause mistake, or to deceive." 15 U.S.C. 1052(d). If a likelihood of confusion exists, registration must be denied. *Ibid.* But if it appears to a PTO examiner that the applicant is entitled to registration, the mark is published in the Official Gazette of the PTO. 15 U.S.C. 1062(a). "Any person who believes that he would be damaged by the registration of [that] mark" may then "file an opposition in the [PTO]" within a specified period. 15 U.S.C. 1063(a).

b. "Opposition proceedings" take place before the PTO's Trademark Trial and Appeal Board (Board or TTAB). 15 U.S.C. 1067(a); 37 C.F.R. 2.101(b). Those proceedings are "similar to a civil action in a federal district court," with the "principal difference [being] that * * * the Board's actions in a particular case are based upon the written record." PTO, *Trademark Trial and Appeal Board Manual of Procedure* § 102.03, at 100-12 (June 2014) (TTAB Manual). The Board's rules incorporate the Federal Rules of Civil Procedure and Federal Rules of Evidence, with certain modifications, and parties may submit oral testimony through transcribed depositions. 37 C.F.R. 2.120(a)(1), 2.122(a), 2.123; TTAB Manual §§ 401, 702.02, at 400-5, 700-12.

The most common ground for opposing registration is that the proposed mark, if registered, would be likely to cause confusion with the opposing party's own previously used or registered mark. 3 *Gilson* § 9.01[2][a][i]. The party opposing registration—the "opposer"—bears the burden of persuasion on that issue. See *Yamaha Int'l Corp.* v. *Hoshino Gakki Co.*, 840 F.2d 1572, 1579-1580 (Fed. Cir. 1988); see also TTAB Manual § 702.04(a), at 700-14.

As particularly relevant here, in evaluating whether a likelihood of confusion between the two marks exists, the Board considers evidence of how the marks are used in the marketplace, including the products on which the marks appear and the members of the public to whom the marks are directed. The Board employs the 13-factor test set out in *In re E.I. DuPont DeNemours & Co.*, 476 F.2d 1357, 1361 (C.C.P.A. 1973). Among the factors considered are the similarity or dissimilarity of the marks, goods, and channels

of trade; the "conditions under which and buyers to whom sales are made"; the "fame of the prior mark (sales, advertising, length of use)"; and the "nature and extent of any actual confusion." *Ibid.*

In conducting that inquiry, however, the Board does not necessarily consider all usages—*i.e.*, goods on which the marks appear and channels of trade used to sell those goods. For the applicant's mark, the Board considers only those usages disclosed in its application. See, *e.g.*, *M2 Software, Inc.* v. *M2 Communications, Inc.*, 450 F.3d 1378, 1382-1383 (Fed. Cir.), cert. denied, 549 U.S. 1096 (2006); see also 3 *Gilson* § 9.03[2][a][ii]. For example, if the application discloses the use of a mark on cars, the Board will consider the *DuPont* factors in connection with that usage, but not in connection with the applicant's use of the mark on bicycles.

Similarly, the Board does not necessarily consider all of the opposer's usages. When the opposition is based exclusively on a mark previously registered with the PTO, the Board typically reviews only the usages encompassed by the registration. See 3 *Gilson* §§ 9.02[2][*l*][ii], 9.03[2][a][ii]. An opposer, however, may also assert common-law rights in certain usages not encompassed by its registration. In such cases, the Board bases its decision on how the mark is actually used on the opposer's products in which it has established common-law rights. See *Asplundh Tree Expert Co.* v. *Defibrator Fiberboard Aktiebolag*, 208 U.S.P.Q. (BNA) 954, 959 (T.T.A.B. 1980).

After considering the evidence, the Board may accept or refuse registration. Any party that is dissatisfied with the Board's decision may appeal directly to the United States Court of Appeals for the Federal

Circuit. 15 U.S.C. 1071(a). Alternatively, a party may file a civil action in a district court, where the parties can present additional evidence and the court will review de novo any Board finding for which new evidence is offered. 15 U.S.C. 1071(b).

2. The owner of a registered mark may bring a civil action for infringement in a district court against any person who, without the trademark owner's consent, "use[s] in commerce any reproduction * * * or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive." 15 U.S.C. 1114(1)(a). A similar cause of action exists for infringement of unregistered marks. See 15 U.S.C. 1125(a)(1)(A); *Two Pesos, Inc.* v. *Taco Cabana, Inc.*, 505 U.S. 763, 767-768 (1992). In such actions, the plaintiff bears the burden of proving that the defendant's mark is likely to cause confusion. See *KP Permanent Make-Up*, 543 U.S. at 118.

B. Procedural History

Petitioner and respondent each manufacture fasteners (*e.g.*, screws, nuts, and bolts). For the last 18 years, they have engaged in litigation before federal courts and the Board over their respective marks, SEALTIGHT and SEALTITE.

1. In 1993, the PTO granted petitioner a certificate of registration for the mark SEALTIGHT. J.A. 223a (Registration No. 1,797,509). That registration encompasses "threaded or unthreaded metal fasteners and other related hardwar[e]; namely, self-sealing nuts, bolts, screws, rivets and washers, all having a

captive o-ring, for use in the aerospace industry." *Ibid.* (capitalization altered).

In 1996, respondent sought to register the mark SEALTITE for "self-piercing and self-drilling metal screws for use in the manufacture of metal and post-frame buildings." J.A. 70a (capitalization altered). The PTO initially refused registration on the grounds that respondent's mark was likely to engender confusion among consumers in light of petitioner's phonetically identical mark, 15 U.S.C. 1052(d), and that the mark was merely descriptive, 15 U.S.C. 1052(e)(1). J.A. 76a-79a.

The PTO then temporarily suspended examination of respondent's application after respondent requested that the Board cancel petitioner's SEALTIGHT registration. See 4:06-cv-1654 Docket entry No. 91-22 (E.D. Ark. May 3, 2010); U.S. Trademark Application Serial No. 75/129229 (05/21/97 Suspension Letter). The Board initially granted the cancellation request, but it reinstated petitioner's registration and stayed cancellation proceedings pending resolution of a trademark-infringement suit that petitioner had filed against respondent in the United States District Court for the Eastern District of Arkansas (No. 4:98-cv-372). See Docket entry Nos. 17, 20, Canc. No. 92026016 (T.T.A.B. Oct. 19 and Dec. 9, 1998). In May 2000, a jury in that suit found that petitioner's mark was invalid because it was merely descriptive and had not acquired secondary meaning. 4:98-cv-372 Docket entry No. 68 (May 12, 2000). The Eighth Circuit affirmed the judgment for respondent. *B & B Hardware, Inc.* v. *Hargis Indus., Inc.*, 252 F.3d 1010 (2001).

The Board then resumed its consideration of respondent's request that petitioner's registration for

SEALTIGHT be canceled. The Board ultimately upheld the registration. J.A. 99a. The Board stated that the Arkansas jury's finding that petitioner's mark was merely descriptive would otherwise be entitled to preclusive effect in the cancellation proceeding. See J.A. 93a-94a. The Board determined, however, that the descriptiveness finding was now legally irrelevant because petitioner's mark had been registered for more than five years and therefore could not be canceled for mere descriptiveness, see 15 U.S.C. 1064(1) and (3). J.A. 96a-99a.

2. a. After the Eighth Circuit's decision, the PTO also resumed its consideration of respondent's application to register SEALTITE. The PTO withdrew its likelihood-of-confusion finding, see U.S. Trademark Application Serial No. 75/129229 (10/3/01 PTO Office Action), and published the mark, see Off. Gaz. Pat. & Trademark Office TM 345 (Nov. 5, 2002). Petitioner then filed a notice of opposition with the Board. See Opp. No. 91155687 Docket entry No. 1 (Feb. 28, 2003).

During the opposition proceedings, both parties presented transcripts of deposition testimony by their corporate officers or employees, and petitioner presented additional testimony of an academic. Pet. App. 43a-44a. Petitioner argued that the six most relevant *DuPont* factors, considered in light of "actual marketplace realities," supported a finding of likelihood of confusion. Opp. No. 91155687 Docket entry No. 40, at 4-18 (Aug. 21, 2006). For example, with respect to the channels-of-trade factor, petitioner pointed out that the largest distributor of fasteners, a company called Fastenal, sold both parties' products. *Id.* at 11. Petitioner also relied on what it characterized as "an abundance of evidence showing actual confusion"

among consumers, including evidence that respondent had received calls from consumers seeking to purchase petitioner's products. *Id.* at 14-16.

Respondent "absolutely agree[d]" that the Board was required to "take into account the realities of the goods * * * in the marketplace." Opp. No. 91155687 Docket entry No. 41, at 18 (Sept. 20, 2006) (citation omitted). It presented testimony about "the difference in the respective products, their uses, and [their] channels of trade." *Id.* at 7. Respondent argued that Fastenal accounts for a miniscule portion of its sales, see *id.* at 11, 22, and that "[t]he evidence of actual confusion is so insubstantial that it is entitled to receive no weight," *id.* at 28. Respondent asserted that, aside from Fastenal, "[t]he parties operate in entirely different channels of trade and distribution," and that "[t]he goods are dissimilar in feature, function and use." *Id.* at 29.

b. After considering the record evidence and the parties' arguments, the Board rejected respondent's application to register its SEALTITE mark, holding that the mark is likely to cause consumer confusion in light of petitioner's SEALTIGHT mark. Pet. App. 55a-71a.

i. The Board first explained that it was declining to consider any of petitioner's products other than those disclosed in its registration. See Pet. App. 54a-55a. Petitioner had argued during the opposition proceedings that its mark was used in connection with a "full range of fasteners," *id.* at 54a., rather than only those disclosed in its registration (*i.e.*, those with leakproof protection and captive o-rings used in the aerospace industry). The Board held that the Arkansas jury's descriptiveness verdict precluded consider-

ation of any usages other than what was disclosed in the registration, because petitioner's rights in registered usages were the only rights that had become (or could become) incontestable. *Id.* at 55a.[1]

ii. The Board then analyzed the relevant *DuPont* factors. On the one hand, the Board found that petitioner's mark is not famous, Pet. App. 55a-56a, and that (Fastenal aside) the products move in different channels of trade, *id.* at 62a-64a. On the other hand, the Board found that "the marks are substantially similar," *id.* at 56a; that "[c]onsumers encountering different fasteners under the substantially similar marks * * * may believe that the products are related," *id.* at 57a-62a; and that the evidence of actual confusion, though "not especially compelling," lends "support to finding that consumers are likely to believe that the use of similar marks (SEALTIGHT and SEALTITE) in connection with different types of fasteners signif[ies] origin from a single source," *id.* at 68a-70a. The Board also determined that the evidence about consumers' degree of care was neutral. *Id.* at 65a-68a.

The Board balanced the competing factors and concluded that a likelihood of confusion exists. Pet. App. 70a-71a. The Board cited as "the most critical factors" in its analysis the "similarities of the marks and the similarity of the goods," which would lead consumers

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[1] One sentence in the Board's opinion seems to refer to a broader range of fasteners than those specified in petitioner's registration. See Pet. App. 71a (referring to all "fasteners that provide leakproof protection from liquids and gases" and all "fasteners that have a captive o-ring"). But given the Board's holding that any broader consideration was barred by issue preclusion, that sentence was likely an error.

to "mistakenly believe that they emanate from the same source." *Ibid.* The Board added that, "[t]o the extent that any doubts might exist as to the correctness of our likelihood of confusion analysis, especially considering the prior determination that opposer's mark is merely descriptive and has not acquired secondary meaning, we resolve such doubts against applicant." *Id.* at 71a.

3. While the Board proceedings were pending, petitioner brought a new infringement action against respondent. That suit was commenced in the Central District of California but was subsequently transferred to the Eastern District of Arkansas. See 569 F.3d 383, 386 n.1 (8th Cir. 2009), cert. denied, 558 U.S. 1113 (2010). The district court initially dismissed the suit as barred by issue preclusion in light of the prior jury verdict. 4:06-cv-1654 Docket entry No. 36, at 9-23 (Sept. 13, 2007). The court of appeals reversed that ruling, however, holding that the jury's finding that petitioner's mark was merely descriptive was irrelevant in the current suit now that petitioner's rights in the registered mark had become incontestable. J.A. 61a-64a.

On remand, petitioner moved for summary judgment. Petitioner argued that the Board's since-issued decision that respondent's mark creates a likelihood of confusion about the source of the parties' products should be given preclusive effect or, in the alternative, some measure of deference. The district court rejected that argument. Pet. App. 27a-28a. The case was tried to a jury, which found that respondent's mark was not likely to cause confusion and therefore returned a verdict against petitioner on infringement (as well as on other claims not relevant here). *Id.* at 21a-

22a; J.A. 330a. Petitioner moved for a new trial on preclusion grounds, but the district court denied that motion, holding that Board decisions cannot give rise to issue preclusion in a judicial proceeding because the Board is not an Article III court. Pet. App. 27a-28a.

4. The court of appeals affirmed. Pet. App. 4a-13a.

a. The court of appeals assumed without deciding that Board decisions may be given preclusive effect in judicial proceedings. See Pet. App. 7a. The court held, however, that preclusion was "not appropriate here because * * * the same likelihood-of-confusion issues were not decided by the [Board] as those brought in the action before the district court." *Ibid.*

In so concluding, the court of appeals found it significant that the Board had "used only 6 of the 13 factors from [*DuPont*]," whereas courts in the Eighth Circuit "apply the six-factor test from *SquirtCo* [v. *Seven-Up Co.*, 628 F.2d 1086 (8th Cir. 1980)]." Pet. App. 8a-9a. The court recognized that "some of the [*DuPont*] factors are the same or comparable to the *SquirtCo* factors." *Id.* at 9a-10a. The court stated, however, that "for collateral estoppel to apply, the [Board] must have examined the entire marketplace context as is done in trademark infringement actions." *Id.* at 10a (citation and internal quotation marks omitted). The court noted the Board's finding that some "evidence of marketplace context—that the types of fasteners are different and marketed to vastly different industries and customers—weighed against a finding of likelihood of confusion." *Ibid.* The court concluded that, because the Board had "placed greater emphasis on the appearance and sound when spoken of the two marks" than on the marketplace context,

the Board had effectively decided a likelihood-of-confusion question that was different from the one presented in the infringement suit. *Ibid.* The court also attached significance to its belief that respondent had borne the burden of persuasion before the Board, whereas petitioner had borne that burden in the infringement action. *Id.* at 10a-11a.

Having concluded that the Board's likelihood-of-confusion determination was not entitled to preclusive effect, the court of appeals further held that the Board's determination was not otherwise entitled to any measure of deference. See Pet. App. 11a-12a.

b. Judge Colloton dissented. Pet. App. 14a-20a. He would have held that, because the Board had "previously decided the same question about the likelihood of confusion that was at issue in the trial of this case, [respondent] should not have been permitted to relitigate that point." *Id.* at 14a. In Judge Colloton's view, the fact "that the six factors considered by the [Board] in its analysis are not exactly the same as the six factors listed by [the Eighth Circuit] for assessing likelihood of confusion in *SquirtCo*" did not "justify dispensing with collateral estoppel, just as variations in analysis among the circuits about a legal issue does not mean that one circuit's decision lacks preclusive effect in another." *Id.* at 17a. With respect to the burden of persuasion, Judge Colloton interpreted the Board's opinion to have indicated that the burden was immaterial to its analysis of the likelihood-of-confusion issue. See *id.* at 19a-20a.

SUMMARY OF ARGUMENT

The Board's likelihood-of-confusion determination is likely entitled to preclusive effect in this infringement suit.

A. Under traditional principles, determinations made by the Board in opposition proceedings can be given preclusive effect in subsequent infringement suits. This Court presumes that, "[w]hen an administrative agency is acting in a judicial capacity and resolves disputed issues of fact properly before it which the parties have had an adequate opportunity to litigate," preclusion doctrines apply. *Astoria Fed. Sav. & Loan Ass'n* v. *Solimino*, 501 U.S. 104, 107 (1991) (citation omitted). Nothing in the text or structure of the Lanham Act overcomes that presumption.

B. When the Board concludes in an opposition proceeding that a likelihood of confusion does or does not exist with respect to particular usages, that determination precludes relitigation of the likelihood-of-confusion question in a subsequent infringement action between the same parties for the same usages. The likelihood-of-confusion standard for both opposition proceedings, 15 U.S.C. 1052(d), and infringement suits, 15 U.S.C. 1114(1)(a), 1125(a)(1)(A), is identical. Infringement suits, however, will sometimes involve different usages than an opposition proceeding. In such cases, issue preclusion applies only for those usages actually adjudicated by the Board and for those usages that do not materially differ from the usages adjudicated by the Board.

In this case, it appears that the usages adjudicated by the Board are materially identical to the usages at issue in the infringement suit. Accordingly, the district court likely should have given preclusive effect to

the Board's determination. To the extent that the Board did adjudicate usages that materially differed from those at issue in the jury trial, however, the Board's determination would not be entitled to either preclusive effect or any measure of deference.

C. The court of appeals' three grounds for denying issue preclusion in this case each lacked merit. The fact that the Board and the Eighth Circuit have adopted somewhat different multi-factor tests for determining likelihood of confusion does not defeat preclusion. Issue preclusion would have little function if it applied only when the second tribunal concludes that the first tribunal's ruling was correct. See *Federated Dep't Stores, Inc.* v. *Moitie*, 452 U.S. 394, 398 (1981). For substantially the same reason, the court of appeals' disagreement with the weight that the Board gave to marketplace context is not a legitimate ground for denying preclusion. Finally, the court of appeals was mistaken in believing that the burden of persuasion differed in the two proceedings.

D. The basic purposes of trademark law are well served by fully enforcing traditional preclusion doctrines. Trademark law seeks to reduce consumer uncertainty in discerning the origins of the myriad goods available in the modern marketplace. That goal is frustrated when parties cannot quickly achieve certainty about their respective rights in particular marks.

ARGUMENT

The court of appeals erred in its approach to deciding whether a Board likelihood-of-confusion determination precludes relitigation of the same issue in a subsequent infringement action. The court's grounds for denying preclusion here—that the Board employs

a different multi-factor standard than does the Eighth Circuit, that the Board did not give sufficient weight to marketplace context, and that respondent bore the burden of persuasion before the Board—were each legally insufficient. Instead, issue preclusion depends on whether the usages considered by the Board materially differed from the usages at issue in the infringement action. Under that standard, the Board's likelihood-of-confusion determination is likely entitled to preclusive effect here.

A. The Doctrine Of Issue Preclusion Applies To Board Determinations In Opposition Proceedings

Issue preclusion "bars successive litigation of an issue of fact or law actually litigated and resolved" and "essential to the prior judgment." *Taylor* v. *Sturgell*, 553 U.S. 880, 892 (2008) (citation and internal quotation marks omitted). In appropriate cases, a final Board determination that a trademark is or is not likely to engender confusion among consumers about the source of goods is entitled to preclusive effect in a later infringement action.

1. This Court has "long favored application of the common-law doctrines of collateral estoppel (as to issues) and res judicata (as to claims) to those determinations of administrative bodies that have attained finality." *Astoria Fed. Sav. & Loan Ass'n* v. *Solimino*, 501 U.S. 104, 107 (1991) (*Astoria*). In *United States* v. *Utah Construction & Mining Co.*, 384 U.S. 394 (1966) (*Utah Construction*), the Court recognized a presumption that, "[w]hen an administrative agency is acting in a judicial capacity and resolves disputed issues of fact properly before it which the parties have had an adequate opportunity to litigate," the agency's determination is entitled to preclusive effect in subse-

quent judicial proceedings if the traditional requirements of claim or issue preclusion are met. *Id.* at 422; see *Hayfield N. R.R.* v. *Chicago & N. W. Transp. Co.*, 467 U.S. 622, 636 n.15 (1984); *Kremer* v. *Chemical Constr. Corp.*, 456 U.S. 461, 484 n.26 (1982). Because "Congress is understood to legislate against a background of common-law adjudicatory principles" when it authorizes federal agencies to resolve disputes, "the courts may take it as given that Congress has legislated with an expectation that [the rules of preclusion] will apply except when a statutory purpose to the contrary is evident." *Astoria*, 501 U.S. at 108 (citation and internal quotation marks omitted).

The presumption favoring application of preclusion rules in this context reflects "the sound and obvious principle of judicial policy that a losing litigant deserves no rematch after a defeat fairly suffered, in adversarial proceedings, on an issue identical in substance to the one he subsequently seeks to raise." *Astoria*, 501 U.S. at 107. A refusal to give preclusive effect to administrative determinations would "drain the resources of an adjudicatory system with disputes resisting resolution." *Id.* at 108. Indeed, in light of the "sound policy [of] apply[ing] principles of issue preclusion to the factfinding of administrative bodies acting in a judicial capacity," even the final decisions of state administrative agencies are presumptively entitled to preclusive effect in federal-court suits. *University of Tenn.* v. *Elliott*, 478 U.S. 788, 797 (1986).

That "interpretive presumption" can be overcome by an indication that a particular statutory scheme does not contemplate the application of claim and issue preclusion to an agency's determinations. See *Astoria*, 501 U.S. at 107-110. For example, a require-

ment that a complainant pursue administrative remedies before filing a civil action would make little sense if an adverse administrative decision foreclosed judicial relief. See *id.* at 110-112 (Age Discrimination in Employment Act); *University of Tenn.*, 478 U.S. at 795-796 (Title VII). But absent such an indication from text or structure, an agency's adjudicatory decision should ordinarily be given preclusive effect in later judicial proceedings.

2. In light of that presumption, final Board decisions in opposition proceedings are entitled to preclusive effect in infringement actions. The Board acts in a "judicial capacity" when it evaluates an opposition petition, *Utah Constr.*, 384 U.S. at 422, because it resolves a concrete dispute between two parties in an adversarial setting. See *EZ Loader Boat Trailers, Inc.* v. *Cox Trailers, Inc.*, 746 F.2d 375, 378 (7th Cir. 1984). Both the applicant and the opposer have a full and fair opportunity to present evidence and argument and may appeal the Board's decision. See pp. 4-6, *supra*. Nothing in the statutory scheme indicates, moreover, that Congress intended to deny preclusive effect to Board determinations that have attained finality.

Respondent does not contend that Board likelihood-of-confusion determinations invariably lack preclusive effect in infringement actions. See Resp. Cert. Supp. Br. 2. The Fifth and Eleventh Circuits have adopted that view, however, as did the district court here. See *American Heritage Life Ins. Co.* v. *Heritage Life Ins. Co.*, 494 F.2d 3, 9-10 (5th Cir. 1974); *Freedom Sav. & Loan Ass'n* v. *Way*, 757 F.2d 1176, 1180 (11th Cir.), cert. denied, 474 U.S. 845 (1985). Those courts have reasoned that, because Congress

provided for de novo judicial review of Board decisions in district courts, Congress did not intend for preclusion doctrines to apply. *Ibid.*

That reasoning is flawed. Courts can and do give preclusive effect to prior unappealed legal rulings that would have been reviewed de novo if they had been appealed. Restatement (Second) of Judgments §§ 27 cmt. c & illus. 6, 28 cmt. a. & illus. 1, at 252, 254, 274, 276 (1982); cf. *Federated Dep't Stores, Inc.* v. *Moitie*, 452 U.S. 394, 398 (1981) (explaining that "the res judicata consequences of a final, unappealed judgment on the merits" are not "altered by the fact that the judgment may have been wrong or rested on a legal principle subsequently overruled in another case"). Were it otherwise, rulings on legal issues could continually be relitigated before new tribunals by the same parties.

As discussed, when a statutory scheme contemplates a judicial action after the conclusion of an administrative adjudication, it would contravene congressional intent to give the agency decision preclusive effect in *that* suit. See pp. 17-18, *supra*. But that is not the situation here. Respondent did not challenge the Board's decision through a civil action under 15 U.S.C. 1071(b). An infringement suit is an entirely new action, and nothing in the Lanham Act suggests that Congress expected parties to relitigate a likelihood-of-confusion question finally determined in an opposition proceeding.

B. Issue Preclusion Likely Barred Relitigation Of The Board's Likelihood-Of-Confusion Determination

Because the Board appears to have decided the same likelihood-of-confusion question that is presented in this infringement suit, the district court likely

should have given the Board's determination preclusive effect.

1. For issue preclusion to apply, the first tribunal must have decided the precise issue for which preclusion is sought in the second tribunal. *Taylor*, 553 U.S. at 892. That will sometimes, though not always, be the case when a Board likelihood-of-confusion determination is followed by an infringement suit (or vice versa) between the same parties.

a. The statutory standards for opposition proceedings and infringement suits are materially identical. Under the statutory provision that governs registration of trademarks, the Board shall deny registration if the challenged mark is "likely, when used on or in connection with the goods of the applicant, to cause confusion." 15 U.S.C. 1052(d). The provision that governs infringement of a registered trademark makes it a violation to "use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion." 15 U.S.C. 1114(1)(a); see 15 U.S.C. 1114(1)(b), 1125(a)(1)(A).

Under the longstanding judicial interpretation of those provisions, both the Board and courts must decide whether "use of the disputed mark is likely to cause confusion among consumers regarding the origin of the goods offered by the parties." *E.g.*, *Leelanau Wine Cellars, Ltd.* v. *Black & Red, Inc.*, 502 F.3d 504, 515 (6th Cir. 2007) (internal quotation marks omitted) (Section 1114); see, *e.g.*, *Giant Food, Inc.* v. *Nation's Foodservice, Inc.*, 710 F.2d 1565, 1569 (Fed. Cir. 1983) (Section 1052(d)). As a leading treatise on

trademark law explains, the "same statutory test [applicable in infringement suits] applies where the trademark * * * owner * * * seeks relief in a [PTO] opposition or cancellation proceeding against another's right to register or continue registration of a trademark." 2 *Gilson* § 5.01[1]. That congruity reflects the fact that the registration and infringement provisions have the same basic purpose of preventing the use of marks in ways that impair the rights of other trademark owners by confusing consumers about the origin of trademarked goods. It also reflects the fact that, in deciding whether a new trademark should be registered, the Board will consider in part whether the mark can be used in commerce without infringing the rights of existing trademark owners.

b. The fact that the likelihood-of-confusion standard for infringement actions is housed in different statutory provisions than the standard applicable in opposition proceedings does not cast doubt on that conclusion. Courts regularly apply issue preclusion when a prior tribunal resolved the same question under a different statute. In *University of Tennessee*, *supra*, for example, this Court held that a state agency's finding, under a state administrative-procedure statute, that an employer lacked discriminatory intent was entitled to preclusive effect in a subsequently-filed Section 1983 action in federal court. 478 U.S. at 791, 796-799. In *Smith* v. *Bayer Corp.*, 131 S. Ct. 2368 (2011), this Court explained that federal-court determinations of issues under federal law are entitled to preclusive effect in subsequent state-court suits raising state-law questions when "state law parallels its federal counterpart." *Id.* at 2377 (class certification standards).

To be sure, the close textual resemblance between the Lanham Act's registration and infringement provisions does not *by itself* prove that the phrase "likely * * * to cause confusion" in Section 1052(d) has the same meaning (and thus raises the "same issue" for preclusion purposes) as the phrase "likely to cause confusion" in Sections 1114(1)(a) and 1125(a)(1)(A). See *Smith*, 131 S. Ct. at 2377 (explaining that identically-worded federal- and state-law provisions are sometimes interpreted differently, and that "[i]f a State's procedural provision tracks the language of a Federal Rule, but a state court interprets that provision in a manner federal courts have not, then the state court is using a different standard and thus deciding a different issue").[2] Here, however, the argument for preclusion is not simply that Sections 1052(d), 1114(1)(a), and 1125(a)(1)(A) contain nearly

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[2] A State's highest court has ultimate authority to construe its own State's law. *Ring* v. *Arizona*, 536 U.S. 584, 603 (2002). Thus, if a State's highest court has interpreted a state-law provision differently from the established meaning of an identically-worded federal analogue, that is dispositive evidence that the two provisions *actually have* different meanings, notwithstanding their textual similarity. Cf. *Smith*, 131 S. Ct. at 2378. By contrast, the fact that the Board and some courts of appeals have articulated somewhat different tests for determining likelihood of confusion does not prove that the phrase "likely * * * to cause confusion" in Section 1052(d) has a different meaning than the phrase "likely to cause confusion" in Sections 1114(1)(a) and 1125(a)(1)(A). Rather, the diverse multi-factor tests simply reflect the sort of variation among tribunals that often occurs even with respect to the interpretation of a single statutory provision. So long as the Board has adjudicated the same usages that are at issue in a subsequent infringement suit, the Board and the court are deciding what for preclusion purposes is the "same issue," even if the two tribunals use somewhat different tests for assessing likelihood of confusion.

identical references to likelihood of confusion. In addition, the provisions are linked components of an integrated statutory scheme and are derived from common statutory and common-law antecedents. See generally Pet. Br. 25-34. Indeed, neither the court of appeals nor respondent has identified any reason to believe that Congress intended the likelihood-of-confusion language in the provisions to be interpreted differently.

c. Although the basic likelihood-of-confusion inquiry in opposition proceedings and infringement actions is identical, the factual context in which that standard is applied may differ in specific cases.

As discussed, a party opposing an application to register a mark before the Board often relies only on its federal registration, not on any common-law rights in usages not encompassed by its registration. In such a case, the Board typically analyzes the marks, goods, and channels of trade only as set forth in the application and in the opposer's registration, regardless of whether the actual usage of the marks by either party differs. See p. 5, *supra*. The Board's determination that a likelihood of confusion does or does not exist will not resolve the confusion issue with respect to non-disclosed usages.

In a later infringement action, however, the opposer may rely on its additional usages in seeking damages, or it may allege that the defendant committed infringement through usages other than those disclosed in the registration application. If those usages materially differ from the usages adjudicated by the Board, then issue preclusion will not apply with respect to them. See *Levi Strauss & Co.* v. *Abercrombie & Fitch Trading Co.*, 719 F.3d 1367, 1372-1374 (Fed. Cir.

2013). Of course, if the differences in usages at issue in the two proceedings are trivial or immaterial to the likelihood-of-confusion inquiry, issue preclusion should apply. That follows from the principle that "[i]ssue preclusion is proper when factual differences 'are of no legal significance whatever in resolving the issue presented in both cases.'" *Delaware River Port Auth.* v. *Fraternal Order of Police*, 290 F.3d 567, 575 (3d Cir. 2002) (quoting *United States* v. *Stauffer Chem. Co.*, 464 U.S. 165, 174 (1984)); see also 18 James Wm. Moore, *Moore's Federal Practice* § 132.02[2][e], at 132-27 (3d ed. 2014).

Thus, the basic principle is that, when the usages adjudicated in the two proceedings are materially identical, or when the usages at issue in the infringement action represent a subset of the usages adjudicated in the Board proceeding, issue preclusion applies. But when the infringement action concerns usages not ruled upon by the Board, issue preclusion does not apply to those additional usages.

d. Hypothetical examples help illustrate that principle. Suppose that Company A owns the registered mark "Cromulent" for T-shirts sold to department stores, and that Company B uses the unregistered mark "Kromulent" on various products.

Example 1. Company B seeks to register "Kromulent" for T-shirts sold to department stores. Company A opposes, citing its registered mark, and the Board refuses registration, determining that a likelihood of confusion exists. Company A then sues Company B for infringement of its registered mark through Company B's sale of "Kromulent" T-shirts to department stores. The Board's determination precludes Compa-

ny B from arguing that no likelihood of confusion exists.

Example 2. Same as *Example 1*, except that the infringement suit challenges Company B's use of "Kromulent" on both T-shirts sold to department stores and watches sold to specialty stores. The Board's determination precludes Company B from arguing that no likelihood of confusion exists with respect to the T-shirts, but not with respect to the watches.

Example 3. Company B seeks to register "Kromulent" for T-shirts sold to specialty stores. Company A opposes, citing its registered mark, and the Board refuses registration, determining that a likelihood of confusion exists, despite the fact that Company A's registration encompasses the sale of T-shirts to department stores only. Company A sues Company B for infringement of its registered mark through Company B's sale of T-shirts to *department stores*. The Board's determination may preclude Company B from arguing that no likelihood of confusion exists. Although the channel of trade in the infringement suit differs from the channel of trade set forth in Company B's refused application, a court may determine that the difference is not material because Company B's sale of products in the same channel of trade disclosed in Company A's registration could only increase the likelihood of confusion. See p. 24, *supra*.

2. Under the foregoing framework, the district court likely should have given preclusive effect to the Board's determination that respondent's mark SEALTITE creates a likelihood of confusion with petitioner's registered mark SEALTIGHT.

In the opposition proceeding, respondent sought to register SEALTITE for "self-piercing and self-

drilling metal screws for use in the manufacture of metal and post-frame buildings." J.A. 70a (capitalization altered). In refusing registration, the Board appeared to find a likelihood of confusion only with respect to the usages of SEALTIGHT set forth in petitioner's registration (*i.e.*, fasteners with leakproof protection and a captive o-ring for use in the aerospace industry), not with respect to any additional usages as to which petitioner might have common-law rights. See pp. 9-10 & n.1, *supra*. The district court's post-verdict opinion appears to describe in similar terms the goods that were at issue in the trial, although that is not perfectly clear (for example, the opinion does not refer to the "aerospace industry"). See Pet. App. 35a; see also *id.* at 37a (district court discussion of the parties' markets and pricing); *id.* at 60a-67a (Board discussion of same). Petitioner has asserted that the usages in the two proceedings were identical, see Pet. Br. 17, 54, and respondent has not identified any difference in the products or channels of trade.

Respondent does argue that the two proceedings differed insofar as the Board did not consider that respondent "always uses the term 'Sealtite' in the context of 'Sealtite Building Fasteners,'" whereas the infringement court allegedly did. Resp. Cert. Supp. Br. 12 (quoting Pet. App. 35a); cf. Pet. Br. 55 (disputing respondent's characterization of trial record). That purported difference does not reflect a difference in usages (*i.e.*, the goods and channels of trade), but rather a different *mark* than the one the Board considered. Petitioner's complaint, however, alleged that SEALTITE (and Sealtite.com), not "Sealtite Building Fasteners," infringes its SEALTIGHT mark, see

Docket entry No. 114, at 9, and the jury was instructed on SEALTITE, see J.A. 321a. To the extent that the usages in the two proceedings were identical, petitioner was thus entitled to the preclusive effect of the Board's determination with respect to SEALTITE.[3]

Accordingly, it appears that the jury resolved precisely the same likelihood-of-confusion issue as the Board. Because the issues and parties are identical, the district court likely should have given preclusive effect to the Board's determination, and the appropriate course would be to reverse the judgment below. See Pet. Br. 56. But if in its merits brief respondent identifies a reasonable basis in the record to believe that the usages in the two proceedings materially differed, the Court may choose to clarify the applicable standard for issue preclusion and remand the case to the lower courts to apply that standard to the record

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[3] In the infringement suit, respondent could have raised the defense that in fact it uses a different mark on its products—"Sealtite Building Fasteners." Petitioner then could have asked the district court to hold that the difference was not material because adding a generic or descriptive term to an infringing mark typically has little impact on the infringement analysis. See 4 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 23:50 (2014) ("If a junior user takes the entire mark of another, addition of a suggestive or descriptive element is generally not sufficient to avoid confusion."); see also PTO, *Trademark Manual of Examining Procedure* 1207.01(b)(iii), at 1200-201 (Apr. 2014); see, *e.g.*, *In re Jump Designs LLC*, 80 U.S.P.Q.2d (BNA) 1370, 1375 (T.T.A.B. 2006). Were it otherwise, adjudicated infringers could avoid the impact of adverse judgments merely be adding generic or descriptive words to their marks. But however that hypothetical dispute might have been resolved, respondent's argument would not have foreclosed petitioner from relying on the preclusive effect of the Board's judgment with respect to the mark SEALTITE.

here in the first instance (and to address any preservation question). See U.S. Cert. Amicus Br. 17.

3. The second question presented asks whether, if preclusion does not apply in this case, the district court should have deferred to the Board's resolution of the likelihood-of-confusion issue absent strong evidence rebutting its determination. If a Board determination is not entitled to preclusive effect because the Board has resolved a question different from the issue that is disputed in subsequent infringement litigation, there is no sound reason to give the Board decision any measure of deference. See Pet. App. 11a-12a. Accordingly, if this Court affirms the court of appeals' conclusion that the infringement suit presented a likelihood-of-confusion issue different from the one the Board had previously decided, no degree of deference would be appropriate. The deference question might be answered differently when issue preclusion is inappropriate for another reason—for example, when an issue actually resolved by the Board was not necessary to its ultimate disposition—but that situation is not presented here.

C. The Court Of Appeals' Grounds For Denying Preclusive Effect To The Board's Likelihood-Of-Confusion Determination Were Legally Erroneous

The court of appeals erred in failing to evaluate the issue-preclusion question under the standard described in Part B. Rather than analyzing whether the usages before the district court materially differed from the usages considered by the Board, the court of appeals relied on three legally irrelevant factors in declining to give the Board's determination preclusive effect.

1. The court of appeals first observed that the Board, in deciding the likelihood-of-confusion question, uses a multi-factor test different from the test that the Eighth Circuit has adopted. See Pet. App. 9a-10a. As Judge Colloton explained, however, the fact that different tribunals have adopted different formulations of a legal standard could not defeat issue preclusion. See *id.* at 17a-18a. If that were a sufficient basis for allowing relitigation of a contested legal issue, even a final judgment of a federal court of appeals in a trademark-infringement action would not be entitled to preclusive effect if a second infringement suit were brought in another circuit that had adopted a different multi-factor standard. Indeed, the regional circuits have adopted standards containing between 7 and 11 factors relevant to likelihood of confusion, such as the "*Polaroid* factors," the "*Pizzeria Uno* factors," the "*Sleekcraft* factors," and the Eighth Circuit's "*SquirtCo* factors," see 2 *Gilson* § 5.02[1], and the Board applies the Federal Circuit's 13 "*DuPont* factors."

2. The court of appeals stated that the Board had decided a different likelihood-of-confusion issue because the Board had given greater weight to the similarity of the two marks than to the marketplace context. See Pet. App. 10a. Respondent defends the court of appeals' judgment on that ground, but it is also incorrect. See Resp. Cert. Supp. Br. 7-8, 11.

The parties litigated the question of marketplace context before the Board through the submission of evidence and argument, and the Board evaluated the marketplace context in reaching its decision. The Board's opinion contains a detailed discussion of the nature of the goods the parties sell, where those goods

are sold and advertised, their price and price sensitivity, the structure of the fastener industry, the extent of direct competition between the parties, the sophistication of the parties' customers, and the proffered evidence of actual confusion among consumers. See Pet. App. 57a-70a. The court of appeals described the Board as finding "that the evidence of marketplace context weighed against a finding of likelihood of confusion." *Id.* at 10a. In declining to give the Board's decision preclusive effect, the court described that decision as "plac[ing] greater emphasis on the appearance and sound when spoken of the two marks." *Ibid.* The court stated that this approach "ignores a critical determination of trademark infringement, that being the marketplace usage of the marks and products." *Ibid.*

Contrary to the court of appeals' summary, the Board actually found that the similarity of the two parties' goods (one aspect of "marketplace context") *favored* a determination of likelihood of confusion. Compare Pet. App. 10a with *id.* at 61a-62a, 70a. The court's more serious error, however, was in assuming that a second tribunal can decline to give a prior decision preclusive effect if it believes that the first tribunal erroneously balanced the relevant factors of a multi-factor test. As Judge Colloton explained, the doctrine of issue preclusion "prevent[s] relitigation of wrong decisions just as much as right ones." *Id.* at 19a (citation omitted); cf. *Federated Dep't Stores*, 452 U.S. at 398 ("[A]n erroneous conclusion reached by the court in the first suit does not deprive the [parties] in the second action of their right to rely upon the plea of *res judicata*.") (citation omitted). If it were other-

wise, principles of issue preclusion would have little or no practical import.

Alternatively, this aspect of the court of appeals' opinion could be read to suggest that two of the factors relevant to the likelihood-of-confusion inquiry—*i.e.*, the appearance of the marks and the marketplace context—should be given different relative weight in infringement actions than in opposition proceedings. See Pet. App. 10a ("While [the Board's] approach may be appropriate when determining issues of registration, it ignores a critical determination of trademark infringement, that being the marketplace usage of the marks and products."). As explained above, however, the text, structure, history, and purposes of the relevant provisions all indicate that the phrase "likely * * * to cause confusion" in Section 1052(d) has the same meaning as the phrase "likely to cause confusion" in Sections 1114(1)(a) and 1125(a)(1)(A). See pp. 21-23, *supra*. To the extent the Board and the court of appeals weighed the relevant factors differently in this case, the inconsistent outcomes reflect divergent applications of a unitary legal standard, not any substantive differences between the relevant statutory provisions.

3. The court of appeals stated that, unlike in the infringement suit, respondent bore the burden of persuasion in the Board proceeding. That is incorrect. As the party opposing registration, petitioner bore the burden of persuasion, just as it did in the district court. See *Bose Corp.* v. *QSC Audio Prods., Inc.*, 293 F.3d 1367, 1370 (Fed. Cir. 2002); *Yamaha Int'l Corp.* v. *Hoshino Gakki Co.*, 840 F.2d 1572, 1579-1580 (Fed. Cir. 1988); *Edwards Lifesciences Corp.* v. *VigiLanz Corp.*, 94 U.S.P.Q.2d (BNA) 1399, 1410, 1412 (T.T.A.B.

2010); *Genesco Inc.* v. *Martz*, 66 U.S.P.Q.2d (BNA) 1260, 1267 (T.T.A.B. 2003); 3 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 20:3 (2014). The Board's manual of procedure explains that, "[i]n either an opposition or cancellation [proceeding], the burden of proof remains with the plaintiff, who must establish its case by a preponderance of the evidence." TTAB Manual § 702.04(a), at 700-16 (comparing accelerated proceeding to "traditional Board proceeding").

The court of appeals believed that the burden rested on respondent in the opposition proceeding because the Board's opinion, after announcing its likelihood-of-confusion determination, adverted to the principle cited in some Board decisions and judicial opinions that "[i]n a close case amounting to a tie, doubts are resolved in favor of the senior user." *Dr. Seuss Enters., L.P.* v. *Penguin Books USA, Inc.*, 109 F.3d 1394, 1404 n.14 (9th Cir.), cert. dismissed, 521 U.S. 1146 (1997). But as Judge Colloton explained, the Board's statement followed its actual holding and "was not material to the decision." Pet. App. 19a. The statement was designed to reassure a skeptical reader who "might" harbor doubts about the "correctness" of the Board's actual holding, not to explain the basis for that holding. *Id.* at 71a.

In any event, the principle to which the Board adverted does not reflect a departure from the ordinary burden of persuasion. It appears to have originated in *Lambert Pharmacal Co.* v. *Bolton Chemical Corp.*, 219 F. 325 (S.D.N.Y. 1915), in which Judge Hand held that the defendant's use of the mark "Listogen" infringed the plaintiff's trademark "Listerine." *Id.* at 326-328. He explained that, "[i]n choosing an arbi-

trary trade-name, there was no reason whatever why [the defendant] should have selected one which bore so much resemblance to the plaintiff's; and in such cases any possible doubt on the likelihood of damage should be resolved in favor of the plaintiff." *Id.* at 326. But Judge Hand quickly reconfirmed that "[o]f course, the burden of proof always rests upon the moving party." *Ibid.*

Judge Hand's maxim was handed down through recent Federal Circuit decisions,[4] but it has not been understood as shifting the burden of persuasion. Indeed, the Federal Circuit has recited the principle while simultaneously making clear that "[i]t is the opposer's burden to establish facts sufficient to support the conclusion that confusion, mistake, or deception is likely." *Bridgestone Ams. Tire Operations, LLC* v. *Federal Corp.*, 673 F.3d 1330, 1333 (2012). Rather, the principle seems to embody the view that, when an alleged infringer is a "newcomer" to a market and chooses a mark very similar to an existing mark, it raises the "suspicion that his purpose is to appropriate to himself some of the good will of his competitor," a bad intent that favors a determination of infringement. *Planters Nut & Chocolate Co.* v. *Crown Nut Co., Inc.*, 305 F.2d 916, 920 (C.C.P.A. 1962) (citation omitted). The principle therefore merely reflects one factor that the Board and some infringement courts have found relevant under the likelihood-of-confusion

---

[4] See *Lambert Pharmacal Co.* v. *Mentho-Listine Chem. Co.*, 47 App. D.C. 197, 198 (D.C. Cir. 1917) (citing Judge Hand's opinion); *Planters Nut & Chocolate Co.* v. *Crown Nut Co.*, 305 F.2d 916, 920 (C.C.P.A. 1962) (citing *Mentho-Listine Chem.*); *Bridgestone Ams. Tire Operations, LLC* v. *Federal Corp.*, 673 F.3d 1330, 1333 (Fed. Cir. 2012) (citing *Planters Nut & Chocolate*).

standard. Accordingly, the fact that a second tribunal does not adopt or recite the principle in applying that unitary standard does not alter the issue-preclusion analysis. See p. 29, *supra*.

D. Faithfully Enforcing Traditional Preclusion Doctrines Is Especially Important In The Trademark Context

The robust application of traditional preclusion doctrines is particularly important to achieving the objectives of trademark law. In all areas of the law, preclusion doctrines "protect against the expense and vexation attending multiple lawsuits, conserv[e] judicial resources, and foste[r] reliance on judicial action by minimizing the possibility of inconsistent decisions." *Taylor*, 553 U.S. at 892 (brackets in original; citation and internal quotation marks omitted). Those concerns are well-illustrated by the dispute between petitioner and respondent, which has persisted for nearly two decades.

But the importance of finality in trademark law has another dimension as well. A central concern of trademark law "is to protect the public so it may be confident that, in purchasing a product bearing a particular trade-mark which it favorably knows, it will get the product which it asks for and wants to get." H.R. Rep. No. 219, 79th Cong., 1st Sess. 2 (1945). "[B]y preventing others from copying a source-identifying mark," trademark law "reduce[s] the customer's costs of shopping and making purchasing decisions, * * * for it quickly and easily assures a potential customer that *this* item—the item with this mark—is made by the same producer as other similarly marked items that he or she liked (or disliked) in the past." *Qualitex Co.* v. *Jacobson Prods. Co.*, 514 U.S. 159, 163-

164 (1995) (brackets in original; citation and internal quotation marks omitted).

If parties using particular marks cannot quickly obtain final determinations about their respective rights, it will be more difficult for the public to rely on marks in selecting products for purchase. The watered-down version of issue preclusion that the court of appeals applied in this case thus inhibits trademark law from achieving one of its most fundamental objectives: reducing consumer confusion in an exceedingly complex marketplace.

CONCLUSION

The judgment of the court of appeals should be reversed.

Respectfully submitted.

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SEPTEMBER 2014

APPENDIX

1. 15 U.S.C. 1052(d)-(f) provides:

Trademarks registrable on principal register; concurrent registration

No trademark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on the principal register on account of its nature unless it—

* * * * *

(d) Consists of or comprises a mark which so resembles a mark registered in the Patent and Trademark Office, or a mark or trade name previously used in the United States by another and not abandoned, as to be likely, when used on or in connection with the goods of the applicant, to cause confusion, or to cause mistake, or to deceive: *Provided*, That if the Director determines that confusion, mistake, or deception is not likely to result from the continued use by more than one person of the same or similar marks under conditions and limitations as to the mode or place of use of the marks or the goods on or in connection with which such marks are used, concurrent registrations may be issued to such persons when they have become entitled to use such marks as a result of their concurrent lawful use in commerce prior to (1) the earliest of the filing dates of the applications pending or of any registration issued under this chapter; (2) July 5, 1947, in the case of registrations previously issued under the Act of March 3, 1881, or February 20, 1905, and continuing in full force and effect on that date; Or (3) July 5, 1947, in the case of applications filed under the Act of February 20, 1905, and registered after July 5, 1947. Use prior to the filing date of any pending application or a registration shall not be re-

quired when the owner of such application or registration consents to the grant of a concurrent registration to the applicant. Concurrent registrations may also be issued by the Director when a court of competent jurisdiction has finally determined that more than one person is entitled to use the same or similar marks in commerce. In issuing concurrent registrations, the Director shall prescribe conditions and limitations as to the mode or place of use of the mark or the goods on or in connection with which such mark is registered to the respective persons.

(e) Consists of a mark which (1) when used on or in connection with the goods of the applicant is merely descriptive or deceptively misdescriptive of them, (2) when used on or in connection with the goods of the applicant is primarily geographically descriptive of them, except as indications of regional origin may be registrable under section 1054 of this title, (3) when used on or in connection with the goods of the applicant is primarily geographically deceptively misdescriptive of them, (4) is primarily merely a surname, or (5) comprises any matter that, as a whole, is functional.

(f) Except as expressly excluded in subsections (a), (b), (c), (d), (e)(3), and (e)(5) of this section, nothing in this chapter shall prevent the registration of a mark used by the applicant which has become distinctive of the applicant's goods in commerce. The Director may accept as prima facie evidence that the mark has become distinctive, as used on or in connection with the applicant's goods in commerce, proof of substantially exclusive and continuous use thereof as a mark by the applicant in commerce for the five years before the date on which the claim of distinctiveness is made. Nothing in this section shall prevent the registration of a mark which, when

used on or in connection with the goods of the applicant, is primarily geographically deceptively misdescriptive of them, and which became distinctive of the applicant's goods in commerce before December 8, 1993.

2. 15 U.S.C. 1065 provides in pertinent part:

Incontestability of right to use mark under certain conditions

Except on a ground for which application to cancel may be filed at any time under paragraphs (3) and (5) of section 1064 of this title, and except to the extent, if any, to which the use of a mark registered on the principal register infringes a valid right acquired under the law of any State or Territory by use of a mark or trade name continuing from a date prior to the date of registration under this chapter of such registered mark, the right of the owner to use such registered mark in commerce for the goods or services on or in connection with which such registered mark has been in continuous use for five consecutive years subsequent to the date of such registration and is still in use in commerce, shall be incontestable: *Provided*, That—

(1) there has been no final decision adverse to the owner's claim of ownership of such mark for such goods or services, or to the owner's right to register the same or to keep the same on the register; and

(2) there is no proceeding involving said rights pending in the United States Patent and Trademark Office or in a court and not finally disposed of; and

(3) an affidavit is filed with the Director within one year after the expiration of any such five-year period setting forth those goods or services stated in the reg-

istration on or in connection with which such mark has been in continuous use for such five consecutive years and is still in use in commerce, and other matters specified in paragraphs (1) and (2) of this section; and

(4) no incontestable right shall be acquired in a mark which is the generic name for the goods or services or a portion thereof, for which it is registered.

* * * * *

3. 15 U.S.C 1071 provides:

Appeal to courts

(a) Persons entitled to appeal; United States Court of Appeals for the Federal Circuit; waiver of civil action; election of civil action by adverse party; procedure

(1) An applicant for registration of a mark, party to an interference proceeding, party to an opposition proceeding, party to an application to register as a lawful concurrent user, party to a cancellation proceeding, a registrant who has filed an affidavit as provided in section 1058 of this title or section 1141k of this title, or an applicant for renewal, who is dissatisfied with the decision of the Director or Trademark Trial and Appeal Board, may appeal to the United States Court of Appeals for the Federal Circuit thereby waiving his right to proceed under subsection (b) of this section: *Provided*, That such appeal shall be dismissed if any adverse party to the proceeding, other than the Director, shall, within twenty days after the appellant has filed notice of appeal according to paragraph (2) of this subsection, files notice with the Director that he elects to have all further proceedings conducted as provided in subsection (b) of this

section. Thereupon the appellant shall have thirty days thereafter within which to file a civil action under subsection (b) of this section, in default of which the decision appealed from shall govern the further proceedings in the case.

(2) When an appeal is taken to the United States Court of Appeals for the Federal Circuit, the appellant shall file in the United States Patent and Trademark Office a written notice of appeal directed to the Director, within such time after the date of the decision from which the appeal is taken as the Director prescribes, but in no case less than 60 days after that date.

(3) The Director shall transmit to the United States Court of Appeals for the Federal Circuit a certified list of the documents comprising the record in the United States Patent and Trademark Office. The court may request that the Director forward the original or certified copies of such documents during pendency of the appeal. In an ex parte case, the Director shall submit to that court a brief explaining the grounds for the decision of the United States Patent and Trademark Office, addressing all the issues involved in the appeal. The court shall, before hearing an appeal, give notice of the time and place of the hearing to the Director and the parties in the appeal.

(4) The United States Court of Appeals for the Federal Circuit shall review the decision from which the appeal is taken on the record before the United States Patent and Trademark Office. Upon its determination the court shall issue its mandate and opinion to the Director, which shall be entered of record in the United States Patent and Trademark Office and shall govern the further proceedings in the case. However, no final judgment

shall be entered in favor of an applicant under section 1051(b) of this title before the mark is registered, if such applicant cannot prevail without establishing constructive use pursuant to section 1057(c) of this title.

(b) Civil action; persons entitled to; jurisdiction of court; status of Director; procedure

(1) Whenever a person authorized by subsection (a) of this section to appeal to the United States Court of Appeals for the Federal Circuit is dissatisfied with the decision of the Director or Trademark Trial and Appeal Board, said person may, unless appeal has been taken to said United States Court of Appeals for the Federal Circuit, have remedy by a civil action if commenced within such time after such decision, not less than sixty days, as the Director appoints or as provided in subsection (a) of this section. The court may adjudge that an applicant is entitled to a registration upon the application involved, that a registration involved should be canceled, or such other matter as the issues in the proceeding require, as the facts in the case may appear. Such adjudication shall authorize the Director to take any necessary action, upon compliance with the requirements of law. However, no final judgment shall be entered in favor of an applicant under section 1051(b) of this title before the mark is registered, if such applicant cannot prevail without establishing constructive use pursuant to section 1057(c) of this title.

(2) The Director shall not be made a party to an inter partes proceeding under this subsection, but he shall be notified of the filing of the complaint by the clerk of the court in which it is filed and shall have the right to intervene in the action.

(3) In any case where there is no adverse party, a copy of the complaint shall be served on the Director, and, unless the court finds the expenses to be unreasonable, all the expenses of the proceeding shall be paid by the party bringing the case, whether the final decision is in favor of such party or not. In suits brought hereunder, the record in the United States Patent and Trademark Office shall be admitted on motion of any party, upon such terms and conditions as to costs, expenses, and the further cross-examination of the witnesses as the court imposes, without prejudice to the right of any party to take further testimony. The testimony and exhibits of the record in the United States Patent and Trademark Office, when admitted, shall have the same effect as if originally taken and produced in the suit.

(4) Where there is an adverse party, such suit may be instituted against the party in interest as shown by the records of the United States Patent and Trademark Office at the time of the decision complained of, but any party in interest may become a party to the action. If there are adverse parties residing in a plurality of districts not embraced within the same State, or an adverse party residing in a foreign country, the United States District Court for the Eastern District of Virginia shall have jurisdiction and may issue summons against the adverse parties directed to the marshal of any district in which any adverse party resides. Summons against adverse parties residing in foreign countries may be served by publication or otherwise as the court directs.

4. 15 U.S.C. 1114(1) provides:

Remedies; infringement; innocent infringement by printers and publishers

(1) Any person who shall, without the consent of the registrant—

(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or

(b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive,

shall be liable in a civil action by the registrant for the remedies hereinafter provided. Under subsection (b) hereof, the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such imitation is intended to be used to cause confusion, or to cause mistake, or to deceive.

As used in this paragraph, the term "any person" includes the United States, all agencies and instrumentalities thereof, and all individuals, firms, corporations, or other persons acting for the United States and with the authorization and consent of the United States, and any

State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his or her official capacity. The United States, all agencies and instrumentalities thereof, and all individuals, firms, corporations, other persons acting for the United States and with the authorization and consent of the United States, and any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this chapter in the same manner and to the same extent as any nongovernmental entity.

5. 15 U.S.C. 1115 provides:

Registration on principal register as evidence of exclusive right to use mark; defenses

(a) Evidentiary value; defenses

Any registration issued under the Act of March 3, 1881, or the Act of February 20, 1905, or of a mark registered on the principal register provided by this chapter and owned by a party to an action shall be admissible in evidence and shall be prima facie evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the registration subject to any conditions or limitations stated therein, but shall not preclude another person from proving any legal or equitable defense or defect, including those set forth in subsection (b) of this section, which might have been asserted if such mark had not been registered.

(b) Incontestability; defenses

To the extent that the right to use the registered mark has become incontestable under section 1065 of this title, the registration shall be conclusive evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce. Such conclusive evidence shall relate to the exclusive right to use the mark on or in connection with the goods or services specified in the affidavit filed under the provisions of section 1065 of this title, or in the renewal application filed under the provisions of section 1059 of this title if the goods or services specified in the renewal are fewer in number, subject to any conditions or limitations in the registration or in such affidavit or renewal application. Such conclusive evidence of the right to use the registered mark shall be subject to proof of infringement as defined in section 1114 of this title, and shall be subject to the following defenses or defects:

(1) That the registration or the incontestable right to use the mark was obtained fraudulently; or

(2) That the mark has been abandoned by the registrant; or

(3) That the registered mark is being used by or with the permission of the registrant or a person in privity with the registrant, so as to misrepresent the source of the goods or services on or in connection with which the mark is used; or

(4) That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, of the party's individual name in his own

business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin; or

(5) That the mark whose use by a party is charged as an infringement was adopted without knowledge of the registrant's prior use and has been continuously used by such party or those in privity with him from a date prior to (A) the date of constructive use of the mark established pursuant to section 1057(c) of this title, (B) the registration of the mark under this chapter if the application for registration is filed before the effective date of the Trademark Law Revision Act of 1988, or (C) publication of the registered mark under subsection (c) of section 1062 of this title: *Provided, however*, That this defense or defect shall apply only for the area in which such continuous prior use is proved; or

(6) That the mark whose use is charged as an infringement was registered and used prior to the registration under this chapter or publication under subsection (c) of section 1062 of this title of the registered mark of the registrant, and not abandoned: *Provided, however*, That this defense or defect shall apply only for the area in which the mark was used prior to such registration or such publication of the registrant's mark; or

(7) That the mark has been or is being used to violate the antitrust laws of the United States; or

(8) That the mark is functional; or

(9) That equitable principles, including laches, estoppel, and acquiescence, are applicable.

6. 15 U.S.C. 1125(a)(1) provides:

False designations of origin, false descriptions, and dilution forbidden

(a) Civil action

(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—

(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or

(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,

shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

AMICUS CURIAE BRIEF

No. 13-352

IN THE

Supreme Court of the United States

B&B HARDWARE, INC.,

Petitioner,

—v.—

HARGIS INDUSTRIES, INC.,
D/B/A SEALTITE BUILDING FASTENERS,
D/B/A EAST TEXAS FASTENERS, ET AL.,

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE EIGHTH CIRCUIT

BRIEF OF *AMICUS CURIAE* AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION IN SUPPORT OF NEITHER PARTY

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SEPTEMBER 11, 2014

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STATEMENT OF INTEREST[1]

The American Intellectual Property Law Association ("AIPLA") is a national bar association of approximately 15,000 members engaged in private and corporate practice, in government service, and in the academic community. AIPLA members represent a wide and diverse spectrum of individuals, companies, and institutions involved directly or indirectly in the practice of patent, trademark, copyright, and unfair competition law, as well as other fields of law affecting intellectual property. AIPLA members represent both owners and users of intellectual property.

AIPLA has no interest in any party to this litigation nor does AIPLA have a stake in the outcome of this case, other than its interest in seeking a correct application of issue preclusion in intellectual property cases.[2]

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[1] In accordance with Supreme Court Rule 37.6, amicus curiae states that this brief was not authored, in whole or in part, by counsel to a party, and that no monetary contribution to the preparation or submission of this brief was made by any person or entity other than the amicus curiae and its counsel. Specifically, after reasonable investigation, AIPLA believes that (i) no member of its Board or Amicus Committee who voted to file this brief, or any attorney in the law firm or corporation of such a member, represents a party to this litigation in this matter, (ii) no representative of any party to this litigation participated in the authorship of this brief, and (iii) no one other than AIPLA, or its members who authored this brief and their law firms or employers, made a monetary contribution to the preparation or submission of this brief.

[2] In accordance with Supreme Court Rule 37.3(a), the parties have consented to the filing of this amicus brief in support of

SUMMARY OF ARGUMENT

AIPLA urges the Court to recognize that, in limited and perhaps rare circumstances, decisions of the Trademark Trial and Appeal Board ("TTAB" or "Board") concerning likelihood of confusion may operate to preclude subsequent trademark infringement litigation.

AIPLA takes no position as to the correctness of the Eighth Circuit's conclusion below that the district court in an infringement action was not collaterally estopped by a prior TTAB decision concerning a registration. AIPLA submits this brief, however, to emphasize that the determination of issue preclusion should not be based on functional differences between the TTAB and district courts, on high-level descriptions of the issues, or on differences in a list of analytical factors used by the various tribunals to decide likelihood of confusion. Rather, determination of issue preclusion requires a fact-intensive inquiry into the record presented and considered by a previous tribunal and the issues to be decided in the subsequent proceeding.

AIPLA further urges the Court to rule narrowly. Issue preclusion should not apply where, for instance, the Board simply compared the marks as they appeared in the trademark applications and registrations at issue, rather than comparing the

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neither party. Counsel for Petitioner and Respondent have communicated this consent by emails which have been filed with this brief. In addition, Counsel for Respondent has filed a blanket consent to the filing of amicus briefs.

manner in which they appeared as used in the marketplace, which is the analysis typically conducted in trademark infringement lawsuits. Nor should issue preclusion apply if the goods and services at issue in the lawsuit are materially different from the goods and services considered by the Board. As is always the case, issue preclusion should not apply where there have been changes in the underlying facts, such as changes to how the marks are used, changes to the goods and services, changes to the strength of the marks, etc.

BACKGROUND

Petitioner B&B Hardware, Inc. ("B&B") filed an opposition at the TTAB to prevent respondent Hargis Industries, Inc. ("Hargis") from obtaining a trademark registration for SEALTITE for metal screws used in building manufacture. The TTAB sustained the opposition, finding that the Hargis mark was likely to be confused with B&B's SEALTIGHT registration for metal fasteners, including screws, used in the aerospace industry.

In this infringement case between the parties, the district court refused to give preclusive effect to the TTAB decision finding of a likelihood of confusion. The Eighth Circuit, in a 2-1 decision, agreed that there was no preclusion, reasoning that "the same likelihood-of-confusion issues were not decided by the TTAB as those brought in the action

before the district court."[3] The Eighth Circuit also declined to give deference to the TTAB's decision on the grounds that deference is only due when a party brings a civil action under 15 U.S.C. § 1071(b) to challenge a decision regarding registration of a trademark.[4] This appeal ensued.

ARGUMENT

I. TTAB DECISIONS MAY HAVE PRECLUSIVE EFFECT, BUT ONLY IN APPROPRIATE AND NARROW CIRCUMSTANCES

For issue preclusion to apply, the following four factors must be met: (1) the issues in both proceedings must be identical, (2) the issue in the prior proceeding must have been actually litigated and actually decided, (3) there must have been a full and fair opportunity for litigation in the prior proceeding, and (4) the issue previously litigated must have been necessary to support a valid and final judgment on the merits.

The issue of likelihood of confusion arises frequently in both district court and TTAB proceedings. The commercial impression on consumers of the mark as used in the marketplace is a critical consideration for district courts determining likelihood of confusion. In contrast, actual marketplace usage is only sometimes considered by the TTAB.

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[3] *B&B Hardware, Inc. v. Hargis Industries, Inc.*, 716 F.3d 1020, 1024 (8th Cir. 2013).

[4] *Id.* at 1026.

A. For Its Decision To Be Preclusive, The Board Must Have Considered Evidence Of Marketplace Usage Of Both Marks

A decision by the TTAB on likelihood of confusion cannot be preclusive of a district court's determination in an infringement action unless the TTAB considered evidence of marketplace usage of both marks. This proposition reflects the first of the four factors to be considered in deciding whether issue preclusion applies.[5]

While seemingly simple, determining whether two issues are the same can be a complex question. As noted in a leading treatise, "the Restatement Second of Judgments has suggested that one of the most difficult problems of issue preclusion 'is to delineate the issue on which litigation is, or is not, foreclosed by the prior judgment.'"[6] Of course issues may not be the same, even where they are called the same name.[7] In other words, likelihood of confusion before the TTAB may or may not be the same as likelihood of confusion before a court, and the analysis of this question requires a close examination

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[5] *Parklane-Hosiery Co. v. Shore*, 439 U.S. 322, 326 n.5 (1979); *Levy v. Kosher Overseers Ass'n of America, Inc.*, 104 F.3d 38, 41 (2d Cir. 1997). *See also Jet, Inc. v. Sewage Aeration Systems*, 223 F.3d 1360, 1366 (Fed. Cir. 2000).

[6] 18 CHARLES ALAN WRIGHT & ARTHUR R. MILLER, FEDERAL PRACTICE AND PROCEDURE § 4417 (2d ed. 1981-Present)

[7] *B&B Hardware*, 716 F.3d at 1024 (citing *Jim Beam Brands Co. v. Beamish & Crawford Ltd.*, 937 F.2d 729, 734 (2d Cir. 1991)).

of the evidence submitted and the issues decided by the first tribunal.

In many cases, the Board will have no need to consider marketplace usage and will confine itself to comparing the similarity or dissimilarity of the marks as presented in competing registrations or applications. The limited scope of the TTAB comparison in such cases makes sense because (i) an application before the Board may be for a word mark alone,[8] and (ii) an opposer may rely solely on its registration(s) and not on any common law rights arising from its actual use.[9] If the TTAB considers marketplace usage of both marks, the issue it decided might be the same as that before a court, and preclusion might apply.

Both the Second Circuit and the Federal Circuit have clearly endorsed the notion that a TTAB decision could be preclusive.[10] In describing the

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[8] In this case, Hargis argues that it "virtually always uses 'Sealtite' in the context of 'Sealtite Building Fasteners,' not in isolation." Hargis never made that argument to the Board, however, because its application was for SEALTITE, not "Sealtite Building Fasteners." Brief in Opposition on Petition for a Writ of Certiorari at 14.

[9] In this case, B&B was unable to rely on common law rights due to a jury verdict in a prior litigation between the parties that found B&B's mark was merely descriptive. *B&B Hardware, Inc. v. Hargis Industries, Inc.*, 252 F.3d 1010, 1012 (8th Cir. 2001).

[10] *Levy*, 104 F.3d at 42 ("where the Trademark Board has indeed compared conflicting marks in their entire marketplace context, the factual basis for the likelihood of confusion issue is the same, the issues are the same, and collateral estoppel is appropriate."). *See also Levi Strauss & Co. v. Abercrombie &*

standard for preclusion in a likelihood of confusion case, the Second Circuit stated that the Board must have "compared conflicting marks in their entire marketplace context" in order for the issue to be the same.[11] However, the Second Circuit also stated that, in order for issue preclusion to apply, the first tribunal considering likelihood of confusion "must have taken into account, in a meaningful way, the *context* of the marketplace."[12]

AIPLA agrees with views of the United States in this case that it is not appropriate to scrutinize how "meaningful" the Board's consideration of the marketplace context was.[13] As pointed out in the government's amicus brief recommending review, "the appropriate question is whether the infringement action encompasses usages that materially differ from the usages that the Board considered."[14]

The United States explained that "issue preclusion depends on whether the scope of usage considered by the Board materially differed from the actual usage presented in the infringement action."[15] Later in its brief, the United States refers to the

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Fitch Trading Co., 719 F.3d 1367, 1374-74 (Fed. Cir. 2013) (analyzing whether a court judgment was preclusive of TTAB proceedings).

[11] *Levy*, 104 F.3d at 42.

[12] *Id.* (emphasis in original).

[13] CVSG Brief for the United States as Amicus Curiae on Petition for a Writ of Certiorari at 19.

[14] *Id.*

[15] *Id.* at 10.

difficulty this court might have in determining what the TTAB and the district court "adjudicated."[16] AIPLA generally agrees with the United States' position, but notes that issue preclusion may be considered early in litigation before evidence of actual usage has been "presented" or "adjudicated."[17]

B. The Fact That Two Tribunals Use Slightly Different Factors To Analyze Likelihood Of Confusion Does Not Mean They Are Not Analyzing The Same Issue

The Eighth Circuit decision incorrectly implies that the specific list of factors considered must be the same in order for issue preclusion to apply. In its discussion, the Eighth Circuit held:

> Although some of the *E.I. DuPont* factors are the same or comparable to the *SquirtCo* factors, "for collateral estoppel to apply, the [TTAB] must have examined the 'entire marketplace context'" as is done in trademark infringement actions.[18]

The implication that a court should undertake a comparison of the factors applied as part of its preclusion analysis is misplaced. The factors that

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[16] *Id.* at 23.

[17] *See, e.g., Jean Alexander Cosmetics, Inc. v. L'Oreal USA, Inc.*, 458 F.3d 244, 246 (3d Cir. 2006) (affirming district court dismissal based on issue preclusion); *EZ Loader Boat Trailers, Inc. v. Cox Trailers, Inc.*, 746 F.2d 375 (7th Cir. 1984) (affirming district court grant of summary judgment on basis of collateral estoppel).

[18] *B&B Hardware*, 716 F.3d at 1025.

courts consider are merely "guideposts," [19] and differences between them do not alter the issue to be decided, namely whether there is a likelihood of confusion between marks as used in the marketplace. If differences between the factors were part of the preclusion analysis, decisions by courts in other circuits could never be issue preclusive.

C. Under Principles Of Administrative Law And This Court's Precedent, TTAB Decisions May Have Preclusive Effect In Appropriate Circumstances

Although it was presented with the issue, the Eighth Circuit assumed without deciding that the TTAB, as an administrative agency rather than an Article III court, has the capacity to render decisions that may be afforded preclusive effect.

This Court should now take this opportunity to settle the question by expressly confirming that the TTAB has such a capacity. The majority opinion provides the authority for this conclusion in its citation to this Court's precedent in *Univ. of Tenn. v. Elliott*, 478 U.S. 788 (1986) (citing *United States v. Utah Constr. & Mining Co.*, 384 U.S. 394, 422 (1966)) ("We have previously recognized that it is sound policy to apply principles of issue preclusion to the

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[19] *See La Quinta Worldwide LLC v. Q.R.T.M., S.A. de C.V.*, No. 12-15985 2014 U.S. App. LEXIS 15166 (9th Cir. Aug. 6, 2014).

factfinding of administrative bodies acting in a judicial capacity.").[20]

In addition, the dissenting Ninth Circuit judge in this case recognized the weight of authority supporting this conclusion.[21] Circuit Judge Colloton pointed to this Court's statement that "giving preclusive effect to administrative factfinding serves the value underlying general principles of collateral estoppel: enforcing repose."[22]

This conclusion is also supported by a renowned treatise author on trademark law, who has stated as follows:

> The Trademark Board's function "is to determine whether there is a right to secure or to maintain a registration." If in the course of doing so factual issues are decided, there is no policy reason why those factual questions should not be foreclosed from further re-litigation in court as long as the issues in the two cases are indeed

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[20] *See also Astoria Fed. Sav. & Loan Ass'n v. Solimino*, 501 U.S. 104, 107 (1991) (holding that issue preclusion is generally appropriate when "an administrative agency is acting in a judicial capacity and resolved disputed issues of fact properly before it which the parties have had an adequate opportunity to litigate.").

[21] *B&B Hardware*, 716 F.3d at 1028.

[22] *See Univ. of Tenn.*, 478 U.S. at 798, 106 S.Ct. 3220, 92 L.Ed.2d 635 (1986).

> identical and the other rules of collateral estoppel are carefully observed.[23]

This Court should clarify that, as an administrative agency acting in a judicial capacity, TTAB decisions may be entitled to the application of collateral estoppel in appropriate circumstances, albeit those circumstances may be rare.[24]

II. BROAD APPLICATION OF ISSUE PRECLUSION COULD NEGATIVELY TRANSFORM *INTER PARTES* PRACTICE BEFORE THE TTAB

A. TTAB Preclusion Should Be The Exception, Not The Rule

This Court should recognize the possibility that a TTAB ruling may have a preclusive effect, but it also should recognize that a broad application of issue preclusion could negatively affect inter partes practice before the TTAB.

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[23] 6 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 32:99 (4th ed. 2013) (footnote omitted).

[24] *See United States v. Utah Constr. & Mining Co.*, 384 U.S. 394, 422 (1966) ("We have previously recognized that it is sound policy to apply principles of issue preclusion to the factfinding of administrative bodies acting in a judicial capacity."); *Astoria Fed. Sav.*, 501 U.S. at 107 (holding that issue preclusion is generally appropriate when "an administrative agency is acting in a judicial capacity and resolved disputed issues of fact properly before it which the parties have had an adequate opportunity to litigate.").

For example, if a TTAB ruling on likelihood of confusion routinely became the last word on likelihood of confusion, parties may feel compelled to introduce significantly more evidence, object more to the other side's evidence, and generally handle the proceeding more aggressively.

These concerns should be balanced against the policy benefits on which issue preclusion is grounded. While issue preclusion could increase the costs and burdens of TTAB litigation, avoidance of subsequent litigation conserves the overall resources of both litigants and courts.[25]

B. TTAB Disputes Are Not Litigated In The Same Way As Lawsuits

Narrow application of issue preclusion to TTAB proceedings is important because of the significant differences between TTAB and court proceedings.

Parties engaged in a TTAB dispute typically do not invest the same resources or effort as they would invest in a lawsuit. Survey evidence indicates that the median total cost of a trademark opposition or cancellation proceeding is $80,000, while the median total cost of a trademark infringement action

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[25] *Parklane-Hosiery Co. v. Shore,* 439 U.S. 322, 326 (1979) ("Collateral estoppel, like the related doctrine of res judicata, has the dual purpose of protecting litigants from the burden of relitigating an identical issue with the same party or his privy and of promoting judicial economy by preventing needless litigation.") (citations omitted).

is $300,000 where less than $1 million is at stake, and rises to $800,000 where $1-25 million is at stake.[26]

This is undoubtedly because the TTAB can only rule on trademark applications and registrations, and cannot issue injunctive or monetary relief. As such, parties often consider less to be at stake at the TTAB, and view the "psychological impact" of commencing a TTAB proceeding to be less than that of filing a federal court litigation.[27]

Further, there are many situations where TTAB decisions will not be based upon a consideration of the entire marketplace context, and a preclusion consequently should not apply. For example where:

- the application was based on intent-to-use, and the Board did not consider evidence of the applicant's use;
- the application was for a word mark (standard characters) rather than a stylized mark or logo, and the applicant's manner of using the mark in the marketplace differs from that depicted in the application;

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[26] *See* AIPLA, REPORT OF THE ECONOMIC SURVEY 35-36, I-161-62, I-169 (2013).

[27] JONATHAN HUDIS, A LEGAL STRATEGIST'S GUIDE TO TRADEMARK TRIAL AND APPEAL BOARD PRACTICE 2 (ABA, 2d ed. 2012).

- the opposer relied solely on its rights under one or more registrations, and the Board did not consider the opposer's manner of use of its marks in the marketplace;

- either party's manner of using its mark in the marketplace differs from usages considered by the Board, e.g., the defendant uses different colors or fonts, or uses a disclaimer;

- either party's goods and services differs from those considered by the Board;

- the facts have changed, e.g., one party's mark has become stronger or weaker, the goods and services are different, etc.

These distinctive features of TTAB proceedings are recognized by courts and commentators. For example, in determining that issue preclusion did not apply between a lawsuit and a subsequent TTAB proceeding, the Federal Circuit emphasized that the goods and services set forth in the subject application were broader than the items the applicant had already marketed.[28]

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[28] *Levi Strauss,* 719 F.3d at 1373 (holding that issue preclusion is not warranted "where infringement litigation was followed by PTO proceedings involving a challenge to a registration of broader scope than the subject of the infringement case."). *See also* 6 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 32:88 (4th ed. 2013) (discussing changes in facts).

C. Issue Preclusion Is Fact Specific, Requiring Consideration Of All The Traditional Elements

Of course under this Court's long-standing authority, identity of issues is not the sole factor in a determination of issue preclusion. Courts must also evaluate whether the issues were actually litigated, whether the determination of the issues was necessary to the resulting judgment, and whether the parties had a full and fair opportunity to litigate the issues. These are necessarily fact-specific determinations to be decided on a case-by-case basis.

Further, as noted above, a TTAB decision also may not be preclusive if there have been changes to marketplace usages, the strength of the parties' marks, consumer perceptions, etc.

III. NO DEFERENCE SHOULD BE AFFORDED IF ISSUE PRECLUSION DOES NOT APPLY BECAUSE THE TTAB DECIDED A DIFFERENT ISSUE

B&B argues in its petition for review that the Fifth and Eleventh Circuits would apply a form of deference, and that if the Eighth Circuit were to follow them, it would have been enough to reverse. However, B&B concludes that such an approach "ultimately is inadequate," since a TTAB decision becomes final absent an appeal, and should not be "second-guessed" by a subsequent court, "even if that

court has a 'thorough conviction' that the TTAB has erred."[29]

In its brief in opposition to review, Hargis addresses the issue in a single footnote,[30] where it states that the PTO is looking at a different issue (the goods described in the registration regardless of actual usage of the mark), and then asserts that this analysis requires "no specialized knowledge" or "expertise" since juries can decide likelihood of confusion.

The United States argues that if the TTAB decision is not given preclusive effect, "there is no sound reason to give the Board decision any measure of deference. The deference question might be answered differently when issue preclusion is inappropriate for another reason – for example, when the issue actually resolved by the Board was not necessary to its ultimate decision – but that situation is not presented here."[31]

AIPLA agrees with the United States' position. If a TTAB decision is not afforded preclusive effect because the issue is not the same, then no deference is due. However, deference may be appropriate where a TTAB decision is denied preclusive effect for other reasons.

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[29] Petition for a Writ of Certiorari to the United States Court of Appeals for the 8th Circuit at 25.

[30] Brief in Opposition on Petition for a Writ of Certiorari at n.10.

[31] CVSG Brief for the United States as Amicus Curiae on Petition for a Writ of Certiorari at 17-18.

CONCLUSION

For the foregoing reasons, AIPLA respectfully requests that the Court clarify that a TTAB decision on likelihood of confusion can, in appropriate and narrow circumstances, have a preclusive effect, and that if a TTAB decision is denied preclusive effect because the issue is not the same, then no deference is due. However, deference may be appropriate where a TTAB decision is denied preclusive effect for other reasons.

Respectfully submitted,

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AMICUS CURIAE BRIEF

No. 13-352

IN THE

Supreme Court of the United States

B&B HARDWARE, INC.,

Petitioner,

v.

HARGIS INDUSTRIES, INC., D/B/A SEALTITE BUILDING FASTENERS, D/B/A EAST TEXAS FASTENERS, *et al.*,

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE EIGHTH CIRCUIT

BRIEF OF THE INTELLECTUAL PROPERTY LAW ASSOCIATION OF CHICAGO AS *AMICUS CURIAE* IN SUPPORT OF NEITHER PETITIONER NOR RESPONDENTS

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INTEREST OF *AMICUS CURIAE*

The Intellectual Property Law Association of Chicago ("IPLAC") submits this brief as amicus curiae, but in support of neither party on the ultimate merits of the case.[1,2,3,4] Founded in 1884,

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[1] Pursuant to Supreme Court Rule 37.6, no counsel for a party authored this brief in whole or in any part, no such counsel or a party made a monetary contribution intended to fund the preparation or submission of this brief, and no person other than the *amicus curiae*, its members, or its counsel, made such a monetary contribution.

[2] In addition to the required statement of footnote 1, IPLAC adds that after reasonable investigation, IPLAC believes that (a) no member of its Board or Amicus Committee who voted to prepare this brief, or any attorney in the law firm or corporation of such a member, represents a party to this litigation in this matter, (b) no representative of any party to this litigation participated in the authorship of this brief, and (c) no one other than IPLAC, or its members who authored this brief and their law firms or employers, made a monetary contribution to the preparation or submission of this brief.

[3] Pursuant to Supreme Court Rule 37.2, counsel of record received timely notice of the intent to file this brief under the Rule and consent was granted.

[4] Although over 30 federal judges are honorary members of IPLAC, none of them was consulted or participated in any way regarding this brief.

the Intellectual Property Law Association of Chicago is a voluntary bar association of over 1,000 members who practice in the areas of patents, trademarks, copyrights, trade secrets and the legal issues they present. IPLAC is the country's oldest bar association devoted exclusively to intellectual property matters. In litigation, IPLAC's members are split about equally between plaintiffs and defendants. Its members include attorneys, in private and corporate practices, who appear before federal bars throughout the United States, as well as the U.S. Patent and Trademark Office and the U.S. Copyright Office. As part of its central objectives, IPLAC is dedicated to aiding in the development of intellectual property law, especially in the federal courts.

SUMMARY OF ARGUMENT

In resolving this case and the rule of law that should apply, the Supreme Court should be aware of three matters: (1) that a significant dichotomy exists in the nature of cases resolved by the Trademark Trial and Appeal Board (sometimes "TTAB"), (2) that TTAB cases routinely function as typical litigation cases, with discovery and trial, pursuant in part to the Federal Rules of Civil Procedure and Evidence, and (3) that since the TTAB does not have juries, the Court must decide what to do about the Seventh Amendment right to a jury. On the point (1) dichotomy, some cases are resolved in a manner that permits evidence on and an assessment of the real world usage of trademarks of one of the parties. But other cases are resolved in a manner that disallows evidence on and an assessment of real world usage of

either party. In no case does the TTAB permit evidence on and assessment of the real world usage of trademarks of all parties. On point (2), the routine functioning of TTAB cases, appropriate cases are handled in major part as typical federal litigation cases, by the same lawyers who handle typical federal court trademark litigation. On point (3), the Seventh Amendment may commit likelihood of confusion decisions to juries, such that in jury situations, no preclusive effect of TTAB decisions is possible.

ARGUMENT

I. THERE IS A DICHOTOMY OF TTAB CASES

Consistent with the summary above, some TTAB cases are resolved in a manner that permits evidence on and an assessment of the real world usage of trademarks by one of the parties. These cases involve challenges to federal trademark registrations based on common law usages of trademarks. A typical case in this group of cases is *3M Co. v. Professional Gallery, Inc.*, Opposition No. 91173411 (July 17, 2014)(available at http://ttabvue.uspto.gov/ttabvue/v?pno=91173411&pty=OPP&eno=98).

Professional Gallery applied to register FLAG-IT! for adhesive-backed labels, and a form of adhesive-backed plastic film. 3M opposed, on the basis of its rights in POST-IT, both by virtue of federal registrations and common law. The TTAB began its consideration of likelihood of confusion, as

it typically does, with a statement that it would analyze all facts in evidence related to likelihood of confusion. Pursuant to *In re E.I. du Pont de Nemours & Co.*, 476 F.2d 1357 (CCPA 1973), it analyzed the fame of the POST-IT mark, the FLAG-IT! and POST-IT marks themselves, their relative strength and weakness, the services on which the marks were used, the parties' channels of trade and the classes of consumers of their products, the conditions of sales, and actual confusion. There is no indication of any lack of attention to marketplace circumstances. The analysis reflected in the opinion appears even-handed and is commendable.

Consistent with *3M*, the TTAB decisions on likelihood of confusion based on common law rights, as in *3M*, are typically remarkably professional. They are typically written at a high level of attention to the details of the substantive facts, procedural facts, substantive law, and procedural law. They are also typically written at a high level of language, grammar and usage. They typically capture the common law rights as to the challenger's goods or services by stating a capturing description of the goods or services, in quotation marks. The opinions typically give the impression of being the work of battle-hardened veterans. To the extent an opinion lacks discussion of aspects of the challenger's real world usage of a trademark, the challenger has typically lacked for evidence to present to the TTAB, or lacked in following procedure that would permit the presentation of the evidence. The cases typically do not lack for discussion of evidence in the presence of evidence.

But, in contrast, some cases are resolved in a manner that disallows evidence on and an assessment of the real world usage of trademarks by either of the parties. These cases involve challenges to federal trademark registrations based on other federal trademark registrations. A case in this group of cases is *In re New York Football Giants, Inc.*, Serial No. 85599795 (slip op. July 3, 2014)(available at http://ttabvue.uspto.gov/ttabvue/v?pno=85599795 &pty=EXA&eno=18). The case is not typical, in that it explains the law that disallows the consideration of real world usage of a challenger's trademark. The case, however, is typical of those disallowing the consideration.

As the *New York Football Giants* case explains at some length, based on a direct challenge to the rule of law, a category of the cases that are presented to the TTAB require that the TTAB must analyze the likelihood of confusion involved strictly based on the descriptions of goods or services stated in a federal registration and a federal registration application. These descriptions, while prepared by the parties, and presumably intended when written to capture at least in part real world usages, sometimes do not capture what parties consider to be their real world usages at the time of the TTAB proceedings. Nevertheless, the TTAB cannot consider contentions based on new perceptions of real world usages.

For example, in *New York Football Giants*, the New York Football Giants, Inc., sought to register G-MEN for the articles of clothing, i.e., shirts, T-shirts, and tops. The registration was refused, and appealed to the TTAB. The reason for refusal was an existing

registration for GMAN Sport for articles of clothing including T-shirts and tank tops. The applicant New York Giants argued that it was the most grievous error possible in likelihood of confusion analysis to make the decision "divorced from marketplace circumstances." *Id.*, at 2. The TTAB stated it understood the refused applicant to be contending in a direct argument that the precedent precluding consideration of real world usage was in error. *Id.*, 3.

The TTAB reviewed relevant precedent. *Id.* It reasoned that the applicant's argument had been similarly made in a past case and rejected by the Federal Circuit, citing *Octocom Systems Inc. v. Houston Computers Services, Inc.*, 918 F.2d 937 (Fed. Cir. 1990). *Id.* There, the Federal Circuit stated that "the precedent was legion" that the decision of likelihood of confusion in this group of cases was to be made "regardless of what the record may reveal as to the particular nature of an applicant's goods, the particular channel of trade or the class of purchasers to which sales of the goods are directed." *Id.*, 4-5, quotation from *Octocom*.

The TTAB in *New York Football Giants*, as a result, refused consideration of real world circumstances.

Thus, a significant dichotomy exists in the nature of cases resolved by the Trademark Trial and Appeal Board. The dichotomy concerns likelihood of confusion cases, the cases that are the subject of this case. Some TTAB cases are resolved in a manner that permits consideration of evidence and an assessment of the real world usage of trademarks of

one of the parties. But other TTAB cases are resolved in a manner that disallows evidence on and an assessment of real world usage of either party.

Of course, the companion to this dichotomy is that in no case does the TTAB consider the real world usage of a registered trademark that is being challenged, or a pending trademark application that is being challenged. The TTAB judges the rights in the mark by the statement of goods or services that are found in the registration certificate of the registered trademark, and that alone. It judges the pending application by the statement of goods or services found in the application alone.

II. TTAB CASES ROUTINELY FUNCTION AS TYPICAL LITIGATION CASES, WITH DISCOVERY AND TRIAL

Referencing the *3M* case again, it can be seen readily that TTAB cases of the type that involve real world usages of trademarks routinely function procedurally as typical federal litigation cases, with discovery and trial (with written transcripts).

An on-line record of the proceedings of the *3M* case, for example, is at the same address as above, http://ttabvue.uspto.gov/ttabvue/v?pno=91173411&pty=OPP&eno=89. As in the *3M* record, TTAB cases can include familiar federal litigation matters, such as all of the following:

- pleadings, *e.g.*, docket item 4,
- motions to amend pleadings, *e.g.*, docket item 32,
- scheduling orders, *e.g.*, docket item 3,

- negotiated confidential information protective orders, *e.g.*, docket item 6,
- stipulations and extensions of time, *e.g.*, docket item 8,
- service and responses to discovery requests, such as interrogatories and document requests, with associated motions to compel, with briefs and exhibits, including declarations and exchanges of letters of counsel, *e.g.*, docket item 10 (with its many exhibits),
- notices for taking depositions, and the taking and defending of depositions, *e.g.*, docket item 22,
- motions to quash notices and bar witnesses, *e.g.*, docket item 63,
- motions for summary judgment, with extensive declarations and exhibits, *e.g.*, docket item 43,
- motions to defer summary judgment motions to allow for the taking of discovery, *e.g.*, docket item 47,
- occasional confusion over procedure and associated issues, docket item 21,
- the occasional changes of attorneys, *e.g.*, docket item 31,
- gathering and producing evidence, including testimony and trial exhibits, and pretrial filings that give notice of evidence, *e.g.*, docket item 70, and
- extensive trial briefs, with numerous case citations, extensive analyses of evidence, and elaborate arguments, *e.g.*, docket item 90.

These are all the stuff of typical federal litigation. Can anyone doubt the high and federal quality of the efforts and advocacy of the participants in these cases when a representative trial brief, docket item

90, is a *tour de force* and begins with a dramatic rhetorical question, in this case "Can anyone really remember life before POST-IT notes?" [5]

The TTAB also follows both the Federal Rules of Civil Procedure and the Federal Rules of Evidence. See, *e.g.*, http://www.uspto.gov/trademarks/process/appeal/guidelines/ttabfaq.jsp. See also the Trademark Trial and Appeal Board Manual of Procedure (TBMP), available at http://www.uspto.gov/trademarks/process/appeal/Preface_TBMP.jsp. A principal difference between federal court litigation and TTAB litigation is one that has nothing to do with the substance of the proceedings. It is the difference that the TTAB works with a written record, including written transcripts of testimony, and does not preside over the taking of the testimony. TBMP at 102.03. But the great engine for the discovery of truth, cross-examination, is available for every witness through deposition. TBMP at 702, 704.13.

Further, the topics of the evidence involved in TTAB cases can include television commercials, media spots, and more broadly, television shows and movies, catalogs, inserts in magazines and newspapers, merchandising and promotional displays, information on direct mail and trade shows, Internet website information, information on sponsorships of sporting events, and summaries of data of

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[5] IPLAC would gladly claim the advocacy for a member, but no counsel in the case is or was a member of IPLAC, to IPLAC's knowledge.

"impressions." The evidence of the trial record can run to hundreds of pages, even within one category of evidence. *3M*, slip op. at 23.

This is not a kangaroo court, and it is not populated by kangaroo court judges. TTAB judges possess law degrees, are admitted to the bar of a State, and before even joining the TTAB, have pre-existing significant, specialized trademark experience. See e.g., https://www. usajobs.gov/Get Job/Print Preview/317830300#. Their "PTQs," *i.e.*, Professional Technical Qualifications, include the following:

"1) Training and experience leading to a thorough knowledge of historical trademark law concepts, the Trademark Act, The Trademark Rules of Practice, The Federal Rules of Civil Procedure, The Federal Rules of Evidence, trademark assignments and licensing, common law governing the acquisition of ownership rights of marks, and precedential decisions of the courts and the Board.

2) Experience demonstrating an ability to sift through pleadings, motions and exhibits thereto, testimony depositions and exhibits thereto, interrogatories and other discovery requests and responses thereto, documentary evidence filed by notice of reliance, and legal briefs, all to find the important facts in a case and to apply pertinent case law to those facts.

3) Demonstrated ability to write clearly and accurately; in particular the ability to state clearly the

material facts in a case, the law to be applied and the reasons supporting the decision."
Id.

III. THE PLACE OF THE SEVENTH AMENDMENT MAY NEED TO BE RESOLVED, BY THE LOWER COURTS IN THIS CASE

As shown, some TTAB cases consider real world usage of trademarks, and TTAB cases are conducted routinely as typical federal litigation cases. But still, the TTAB does not have juries.

The federal government in its sovereign capacity under the valid federal trademark laws created the federal trademark registration system and the rights that arise from it. Administrative fact-finding by the TTAB as to registration rights plainly does not implicate the Seventh Amendment. *See Granfinanciera, SA v. Nordberg*, 492 U.S. 33, 51 (1989). Thus, in so far as the TTAB is deciding federal registration rights in all its cases, it may do so, with binding results.

But administrative fact-finding by the TTAB that would bind parties against jury trials over wholly common-law rights would implicate the Seventh Amendment. *Id.* If the Seventh Amendment provides a right to trial of likelihood of confusion as an issue of trademark infringement litigation, then binding parties in such litigations to TTAB decisions would violate the Seventh Amendment, unless the right to trial by jury were to be waived.

If the Court should choose to decide whether a TTAB decision on likelihood of confusion could bind litigation parties in relation to their common law rights, the Court would need to conduct the historical analysis required by such cases as *Tull v. United States*, 481 U.S. 412, 417-418 (1987). While not reflecting that it has conducted the analysis in detail, the Court has already stated that "an action for damages based upon a charge of trademark infringement ... would be ... subject to cognizance by a court of law," meaning that it would require a jury. *Dairy Queen, Inc. v. Wood*, 369 U.S. 469, 477 (1962). The Court has also stated that actions seeking damages for invasions of property rights were historically tried in courts of law. *Feltner v. Columbia Pictures Television, Inc.*, 523 U.S. 340, 349 (1998).

If the Court were to consider the right to trial by jury to be an undeveloped issue of the case, return of the case to the court of appeals for further proceedings might be appropriate. Both parties filed jury demands, there was a district court decision that the issues were to be tried to the jury, in spite of a motion otherwise, there was a jury trial, and respondents assert the superiority of the jury decision to the TTAB decision. There would not seem to be the possibility of waiver here, even with the right to jury trial not mentioned in the post-trial briefs in the district court, the court of appeal briefs, or the briefs in this Court. *E.g., Carnley v. Cochran*, 369 U.S. 506 (1962)(silence is not waiver (a right to counsel case)).

CONCLUSION

In resolving this case and the rule of law that should apply, the Supreme Court should be aware as follows: (1) a significant dichotomy exists in the nature of cases resolved by the Trademark Trial and Appeal Board, (2) TTAB cases routinely function as typical federal litigation cases, with discovery and trial, pursuant in part to the Federal Rules of Civil Procedure and Evidence, and (3) the Seventh Amendment may be implicated and trump any other consideration in the case.

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AMICUS CURIAE BRIEF

No. 13-352

IN THE

Supreme Court of the United States

B&B HARDWARE, INC.,
Petitioner,

v.

HARGIS INDUSTRIES, INC.,
Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE EIGHTH CIRCUIT

BRIEF OF THE INTELLECTUAL PROPERTY LAW SECTION OF THE STATE BAR OF TEXAS IN SUPPORT OF RESPONDENT

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INTEREST OF *AMICUS CURIAE*[1]

The Intellectual Property Law Section of the State Bar of Texas ("Amicus Curiae" or "Section") submits this brief as amicus curiae in support of the respondent. This brief is being filed in support of respondent solely because the positions advanced would necessarily require that the judgment be affirmed.

The State Bar of Texas authorizes and maintains various sections "for the purpose of promoting the objectives of the State Bar within the particular field designated by the bylaws of each section."[2] Organized in 1953, Amicus Curiae is a section within the State Bar of Texas that now has approximately 2,500 members who are attorneys licensed to practice law in the State of Texas and interested in intellectual property law, including trademark law.

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[1] Pursuant to Supreme Court Rule 37.6, Amicus Curiae states that no counsel for a party authored this brief in whole or in part, no such counsel or party made a monetary contribution intended to fund the preparation or submission of this brief, and no person other than Amicus Curiae, its members, or its counsel made such a monetary contribution to this brief's preparation or submission. In addition, Amicus Curiae believes, based on reasonable investigation, that no officer or council member of Amicus Curiae who voted to prepare this brief, or any attorney in the law firm or corporation of such officer or council member, represents a party in this matter. Pursuant to Supreme Court Rule 37.3, the parties have filed blanket letters consenting to the filing of all amicus briefs.

[2] State Bar of Texas Board of Directors Policy Manual 5, at § 5.01.01 (rev. Jan. 2014), *available at* http://goo.gl/tGH3Sa.

The Section's purpose is to promote the objectives of the State Bar of Texas within the field of intellectual property law and, to that end, to take such action as may be appropriate.[3] Because this brief is filed on behalf of the Section, the brief does not necessarily represent the views of the State Bar of Texas, its Board of Directors, or any other section within the State Bar.

The Section became aware of this case through its usual procedures for identifying important cases of interest and significance to its members and intellectual property law. The Section's decisions regarding this case were made solely based on the issues presented and without regard to any connection that any party or its counsel may have with the State of Texas or the State Bar of Texas.

Amicus Curiae and its members have an interest in the proper resolution of the legal issues raised by this case. Importantly, that interest is limited to assisting the Court in identifying the proper framework for deciding whether any issue preclusion can arise from Trademark Trial and Appeal Board ("TTAB" or "Board") decisions resolving *inter partes* proceedings, including opposition proceedings, between parties that later become involved in trademark infringement litigation in federal court.

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[3] By-Laws Article II—The Intellectual Property Law Section of the State Bar of Texas (rev. June 2014), *available at* http://texasbariplaw.org/section/ip/documents.

Apart from this Court's resolution of the potential application of issue preclusion in this trademark context, Amicus Curiae and its members have no interest in the outcome of this particular case. Amicus Curiae also does not take any position regarding the accuracy of the factual allegations of either party, or regarding any aspect of their underlying substantive claims.

Amicus Curiae submits that there are important issues that are critical to a proper understanding and resolution of the questions presented, and which therefore should be considered by this Court. To assist the Court by bringing those issues to the Court's attention, the Section respectfully submits this brief.

SUMMARY OF ARGUMENT

The analyses of the Petitioner and the lower courts in this case are premised upon an unsupported assumption that issue preclusion can be applied—provided the traditional elements are otherwise present—in later trademark infringement litigation based on an earlier TTAB decision in an *inter partes* opposition proceeding between the same parties that merely decided one party's right *vel non* to register a trademark. Simply stated, that assumption is incorrect.

First, TTAB decisions cannot give rise to issue preclusion without deciding, as a predicate matter, whether Congress expressed its intention in the Lanham Act to override the presumed federal preference for preclusion. Despite that inquiry being

a necessary step mandated under this Court's federal preclusion doctrine, it was not addressed by the courts below. When that required inquiry is undertaken, 15 U.S.C. § 1071 is properly construed as showing that Congress intended that TTAB opposition decisions should not give rise to any subsequent issue preclusion.

Second, the TTAB procedures applied in the opposition proceeding between the parties in this case, and in all *inter partes* opposition proceedings decided by the TTAB, systemically exclude all live direct examination and all live cross-examination of witnesses from being presented to or considered by the TTAB. As a direct result, the TTAB's procedures do not provide the "full and fair opportunity to litigate" required under *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313 (1971), to support any issue preclusion based on a TTAB opposition decision.

Acceptance of Amicus Curiae's position on either of the two requirements for issue preclusion presented herein will moot any need for this Court or any court to resolve highly fact-intensive debates over when, if ever, a "likelihood of confusion" issue resolved in a TTAB opposition proceeding could be deemed the same as a "likelihood of confusion" issue later at issue in a federal court. As Respondent separately explains, they never should be. Either way, the resulting "bright line" rule foreclosing any issue preclusion arising from TTAB decisions is both correct and highly beneficial to the intended operation of the nation's trademark system.

ARGUMENT

The Eighth Circuit began by "assuming that TTAB decisions may be entitled to preclusive effect" (Pet. App. 7a) before examining what that court viewed as the elements necessary for applying issue preclusion. This Court should not perpetuate the Eighth Circuit's inherent and erroneous assumptions that Congress intended, and that the TTAB's procedures could support, any issue preclusion based on a TTAB opposition decision.

Amicus Curiae submits that there are two independent requirements for applying issue preclusion that this Court should consider in the present trademark context that have not been adequately addressed: (1) whether the Lanham Act reveals Congress's intent to foreclose common-law preclusion principles in this context; and (2) whether TTAB procedures in opposition proceedings provide a "full and fair opportunity to litigate" as is required to support any subsequent issue preclusion.

Both requirements are fundamental to a complete and accurate resolution of the questions presented. Each should be a necessary component of any analysis that resolves whether issue preclusion can arise from a TTAB opposition decision. The genesis of those two critically important requirements within this Court's precedent is summarized below.

I. Two Of This Court's Predicate Requirements For Issue Preclusion Were Not Addressed Below

Application of issue preclusion based on administrative determinations developed from *United States v. Utah Construction & Mining Co.*, 384 U.S. 1545 (1966). In *Utah Construction*, this Court described earlier judicial statements to the effect that *res judicata* principles do not apply to administrative proceedings as "certainly too broad," and observed that "[w]hen an administrative agency is acting in a judicial capacity and resolved disputed issues of fact properly before it which the parties had an adequate opportunity to litigate, the courts have not hesitated to apply res judicata to enforce repose." *Id.* at 1559-60.

In *Utah Construction*, the contract's disputes clause and the governing statute (the Wunderlich Act) both "categorically stat[ed] that administrative findings on factual issues relevant to questions arising under the contract shall be final and conclusive on the parties." *See* 384 U.S. at 419. Although the Wunderlich Act unambiguously expressed Congress's intent that issue preclusion should apply in that specific administrative context, this Court further observed that "the result we reach is harmonious with general principles of collateral estoppel." *Id.* at 419 & n.19.

The Court's observations in *Utah Construction* provided the springboard for future application of issue preclusion based on final findings of administrative bodies acting in a judicial capacity—

provided such preclusion was not statutorily foreclosed by Congress and remained consistent with the governing principles as identified by this Court. *See Astoria Fed. Sav. & Loan Ass'n v. Solimino*, 501 U.S. 104, 107 (1991).[4]

In *Blonder-Tongue*, 402 U.S. 313, this Court held, for the first time, that "mutuality of the parties" was not required for the "defensive" use of collateral estoppel. In doing so, this Court made clear that the party against whom estoppel is being asserted must have had "a full and fair opportunity to litigate" the relevant issue in the prior proceeding. *See id.* at 329 ("the requirement of determining whether the party against whom an estoppel is asserted had *a full and fair opportunity to litigate is a most significant safeguard*").[5]

In *Parklane Hosiery Co. v. Shore*, 439 U.S. 322 (1979), this Court extended *Blonder-Tongue* by holding that collateral estoppel could also be used "offensively" despite a lack of mutuality of the parties, subject to certain limitations and to the

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[4] Some later decisions like *Astoria* contain the "adequate opportunity to litigate" phrasing of *Utah Construction* instead of the "full and fair opportunity to litigate" language of *Blonder-Tongue*. *See* 501 U.S. at 107. Because *Utah Construction* used both phrases, *see* 384 U.S. at 422, and because no decision of this Court identifies or relies on any substantive difference between them, Amicus Curiae believes they reflect the same standard and are interchangeable. Nevertheless, the "full and fair opportunity to litigate" phrasing is used herein.

[5] All emphases in quotations herein have been added unless otherwise stated.

second court's broad discretion. The Court reiterated its previous caution in *Blonder-Tongue* that the "most significant safeguard" was the requirement for there to have been "a full and fair opportunity to litigate" in the first proceeding. *See* 439 U.S. at 650, 652. Since *Parklane*, this Court has never deviated from that important requirement. *See Allen v. McCurry*, 449 U.S. 90, 95 (1980).

Separately, this Court rejected the notion that administrative determinations could never result in issue preclusion in later federal court proceedings. In *Univ. of Tenn. v. Elliott*, 478 U.S. 788 (1986), this Court held that an unreviewed state administrative decision resolving racial discrimination allegations could not support issue preclusion in the employee's federal claims under Title VII of the Civil Rights Act of 1964, 42 U.S.C. § 2000(e)-2 *et seq.*, but did have preclusive effect on later federal claims brought under 42 U.S.C. § 1983. The distinction stemmed from this Court's conclusion that Title VII reflected Congress's intent not to give such prior state administrative proceedings preclusive effect on Title VII claims, whereas nothing in the language of § 1983 was construed as showing a similar Congressional intent to create an exception to the general rules of preclusion for § 1983 claims. *See* 478 U.S. at 796-97.

This Court's precedents have been interpreted as creating a three-step inquiry for deciding whether a state agency's unreviewed findings are entitled to any preclusive effect. *See Jones v. Hamic*, 875 F. Supp. 2d 1334, 1348 (M.D. Ala. 2012). The first and third steps identified in *Jones*—deciding whether

Congress intended to override federal preclusion law and deciding whether the agency procedures allowed a full and fair opportunity to litigate—are the two predicate conditions for issue preclusion that were not addressed in this case.[6] Neither of those important requirements of this Court's preclusion doctrine should be disregarded.

II. The Statutory Language Shows Congress Did Not Intend TTAB Opposition Decisions To Give Rise To Any Issue Preclusion

"Courts do not ... have free rein to impose rules of preclusion, as a matter of policy, when the interpretation of a statute is at hand. The question is not whether administrative estoppel is wise but whether it is intended by the legislature." *Astoria*, 501 U.S. at 108. Thus, if the applicable statute shows that Congress intended to override federal preclusion law, the inquiry stops and the prior agency determination can be accorded no preclusive effect. *See Jones*, 975 F. Supp. 2d at 1348 (citing *Elliott* and *Astoria*).

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[6] Under 28 U.S.C. § 1738, federal courts must give state court and state administrative decisions the same preclusive effect which they would receive in the State's courts. *See Kremer v. Chem. Constr. Corp.*, 456 U.S. 461, 466-78 (1982) (state court decision); *Elliott*, 478 U.S. at 799 (state administrative decision). Because the prior decision here was by a federal agency, the second step identified in *Jones*—deciding whether a state court would give the TTAB decision preclusive effect—is not implicated.

Amicus Curiae submits that the Lanham Act is properly interpreted as reflecting Congress's intent not to allow TTAB opposition decisions to support issue preclusion in federal court. For that inquiry, a key statutory provision is 15 U.S.C. § 1071, which provides two options to any party (whether applicant or opposer) dissatisfied with the TTAB's opposition decision regarding the applicant's right *vel non* to register the trademark that was the subject of the opposition.

Under § 1071(a), any dissatisfied party may appeal directly to the Federal Circuit, in which case he waives his right to proceed under § 1071(b) (unless the adverse party later elects to proceed under § 1071(b)). Such appeal is based solely on the record before the TTAB. *See* 15 U.S.C. § 1071(a)(4). Section 1071(b) provides a dissatisfied party who can appeal under § 1071(a), but has not yet done so, an alternative "remedy by a civil action" in district court. In such action, the court "may adjudge that an applicant is entitled to a registration upon the application involved [or] that a registration involved should be canceled ... *as the facts in the case may appear*." As explained below, both subsections of § 1071 reflect Congress's intent that issue preclusion shall not arise from unreviewed TTAB decisions resolving any of the specified proceedings.[7]

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[7] In this context, the term "unreviewed" signifies a final TTAB opposition decision which was not appealed to the Federal Circuit under 15 U.S.C. § 1071(a) and for which no "remedy by civil action" was sought in district court under 15 U.S.C. § 1071(b).

A. By Providing A "Remedy By Civil Action," In Which The Court Makes *De Novo* Findings On New Evidence, Congress Did Not Intend TTAB Findings To Be Preclusive

In *American Heritage Life Ins. Co. v. Heritage Life Ins. Co.*, 494 F.2d 3, 9 (5th Cir. 1974), the Fifth Circuit determined that the civil action authorized by § 1071(b) "is in the nature of a trial de novo" and construed it as "indicat[ing] a congressional intent not to invoke the immunizing doctrines of res judicata or collateral estoppel in connection with Patent Office proceedings."

> We do not mean to suggest that application of the doctrines of res judicata and collateral estoppel to administrative decisions does not serve a useful purpose in preventing the relitigation of issues properly determined administratively. We do suggest, however, that the doctrines, with respect to administrative proceedings, are not applied with the same rigidity as their judicial counterparts. And we think this is especially wise in the context of the case before us, where Congress has given the federal court the power to look beneath and beyond the record before the Patent Office.

494 F.2d at 9-10. Even though *American Heritage* predated this Court's decisions in *Elliott* and *Astoria*, the Fifth Circuit's analysis accurately anticipated the specific inquiry into Congress's intent later mandated by this Court and correctly answered it to

deny any preclusion in the trademark context of the instant case.[8]

Here, the Eighth Circuit did not undertake the statutory analysis required by *Elliott* and *Astoria* to examine whether the Lanham Act reflects a Congressional intent to override any presumption of preclusion in the present context. Before this Court, Petitioner relied on *American Heritage* when advancing a circuit conflict (*see* Pet. 22-25), but Petitioner's merits brief does not cite it. Only the United States mentions the holding in *American Heritage* regarding the significance of the provisions in § 1071 to the required inquiry into Congress's intent mandated by *Elliott* and *Astoria*. *See* U.S. Br. 18-19.

The United States merely asserts that the Fifth Circuit's reasoning in *American Heritage* "is flawed" because "courts can and do give preclusive effect to prior unappealed legal rulings that would have been reviewed de novo if they had been appealed." U.S. Br. 19. Instead, it is the Government's reasoning that is inadequate. The premise of the United States (and Petitioner) is that the party losing an opposition can only avoid the preclusive effect of the TTAB's determination by

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[8] In *American Heritage*, the issue was whether an earlier TTAB opposition decision had any preclusive effect in the parties' later federal litigation including a trademark infringement claim and a cancellation counterclaim. 494 F.2d at 8-10; *see Freedom Savings & Loan Ass'n v. Way*, 757 F.2d 1176, 1180 (11th Cir. 1985) (following *American Heritage* in similar circumstances).

undoing the agency's decision through the "appeal" options in § 1071. *See* Pet. Br. 21-22; U.S. Br. 19. Notably, the only cases cited as support involved the stricter doctrine of claim preclusion (formerly *res judicata*) rather than the more flexible doctrine of issue preclusion, or involved issue preclusion based on a prior federal court decision.[9]

While some administrative determinations may give rise to issue preclusion, it does not follow that issue preclusion does or should arise from all agency decisions or from any agency decision for which an available avenue of review was not pursued. Indeed, that is established by both *Elliott* and *Astoria*. *See* 501 U.S. at 107 (respondent in *Astoria* did not seek review of state board's decision in state court); 478 U.S. at 792 (Elliott did not seek review of the state administrative proceedings in the Tennessee courts). What is further established by *Elliott* and *Astoria* is that unreviewed administrative decisions will not support any issue preclusion—whether or not an available appeal from the first proceeding is taken—if Congress's intent can be

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[9] Under *res judicata*, a final and unappealed judgment on the merits extinguishes all claim(s) or cause(s) of action that were or that could have been brought. The cited decisions in *Ticor Title Ins. Co. v. Brown*, 511 U.S. 117 (1994), *Federated Dept. Stores, Inc. v. Moitie*, 452 U.S. 394, 398 (1981), and *Reed v. Allen*, 286 U.S. 191 (1932), each involved application of claim preclusion, not issue preclusion. *See* Pet. Br. 22. While *Partmar Corp. v. Paramount Pictures Theatres Corp.*, 347 U.S. 89 (1954), applied collateral estoppel, the first proceeding was in federal court, thus obviating any inquiry into Congress's intent or the first tribunal's procedures.

discerned from the statutory language as having been otherwise.

Importantly, the "remedy by civil action" under § 1071(b)—which provides for "de novo" proceedings—is an entirely new case in district court. In *Kappos v. Hyatt*, 132 S. Ct. 1690 (2012), this Court construed a similar provision in the patent statute, 35 U.S.C. § 145. Like § 1071(b), § 145 affords a dissatisfied patent applicant "a remedy by civil action" where the court may adjudge that such applicant is entitled to receive a patent "as the facts in the case may appear." *See* 132 S. Ct. at 1696. Given the virtual identity of the provisions in § 145 and § 1071(b), the relevance of *Hyatt* to the present trademark situation is apparent.

In *Hyatt*, this Court rejected the Government's positions that administrative law principles should govern the admissibility of new evidence and require a deferential standard of review in any civil action filed under § 145.

> Under the APA, judicial review of an agency decision is typically limited to the administrative record. ... But, as the Director concedes, § 145 proceedings are not so limited, for the district court may consider new evidence. When the district court does so, it must act as a factfinder. ... In that role, it makes little sense for the district court to apply a deferential standard of review to PTO factual findings that are contradicted by the new evidence. The PTO, no matter how great its authority or expertise, cannot account for

> evidence that it has never seen. Consequently, the district court must make its own findings *de novo* and does not act as the "reviewing court" envisioned by the APA.

132 S. Ct. at 1696 (citations omitted); *see id.* at 1698-70 & n.4 (quoting *Butterworth v. United States ex rel. Hoe*, 112 U.S. 50, 61 (1912), describing the predecessor to § 145 as "not a technical appeal from the Patent Office").

Consistent with *Hyatt*, and like a civil action under § 145, the civil action under § 1071(b) is not an appeal. Hence, a dissatisfied party's decision not to challenge a TTAB decision by civil action under § 1071(b) cannot be faulted as a failure to pursue an available appeal. Moreover, paraphrasing the Fifth Circuit in *American Heritage*, it seems "especially wise" to conclude that § 1071(b) reflects Congress's intention to give the federal courts "the power to look beneath and beyond the record before the Patent Office," 494 F.2d at 10, whether such look comes during a civil action filed under § 1071(b) or, only as necessary, during a later federal trademark infringement action.

B. By Providing For Waiver Of *De Novo* Review Only Upon Actually Appealing, Congress Did Not Intend Unreviewed TTAB Findings To Be Preclusive

The alternative in § 1071(a), which allows a dissatisfied party to appeal directly to the Federal Circuit, does not alter the conclusion that Congress did not intend for TTAB opposition decisions to have

any issue preclusive effect. Because no such appeal was filed by respondent here, the inquiry required by *Elliott* and *Astoria* reduces to whether § 1071(a) reflects Congress's intent that issue preclusion not arise from TTAB opposition decisions where no such appeal is taken.

Examination of the nature of an appeal under § 1071(a) provides some insights relevant to that inquiry. First, despite loose language in some opinions, no preclusive effect can be accorded to "findings" of the Federal Circuit because appellate courts do not make any findings when resolving an appeal. Second, appellate review of factual findings is always deferential, *i.e.*, under § 1071(a), the Federal Circuit will review the TTAB's findings only for substantial evidence. *See Dickinson v. Zurko*, 527 U.S. 150, 152 (1999).

Agency findings are not transformed into findings of the reviewing court merely because they are affirmed under the highly deferential standard of review. Similarly, no preclusive effect should be given to TTAB findings that are affirmed on appeal merely because, unlike the TTAB, the Federal Circuit is an Article III court "of competent jurisdiction." *See EZ Loader Boat Trailers, Inc. v. Cox Trailers, Inc.*, 568 F. Supp.2d 1229, 1231 (N.D. Ill. 1983), *aff'd on other grounds*, 746 F.2d 375 (7th Cir. 1984).

Nevertheless, in *Flavor Corp. of America v. Kemin Indus., Inc.*, 493 F.2d 275, 280-82 (8th Cir. 1974), the Eighth Circuit gave preclusive effect in a trademark infringement action between the same

parties where "the CCPA [had previously] found a likelihood of confusion between two similar marks in a cancellation proceeding." The Eighth Circuit in the case at bar, however, recognized that the TTAB is not an Article III court, distinguished *Flavor Corp.* on grounds that the parties' TTAB decision had not been appealed to the Federal Circuit, and viewed *Flavor Corp.* as unpersuasive concerning whether unappealed TTAB findings could be preclusive. *See* Pet. App. 5a-6a.

Neither Petitioner nor the United States are now relying on *Flavor Corp.* Even so, their assertion that the issue preclusion cannot be avoided where a party does not take an available appeal might seem a closer question with respect to the appeal authorized by § 1071(a) than for the separate "civil action" provided by § 1071(b). However, that is not the case. By its terms, § 1071(a) reflects Congress's intent that it could not be until after a dissatisfied party appeals to the Federal Circuit under § 1071(a), and such appeal goes forward, that any issue preclusion could possibly arise.

Section 1071(a) provides that any party dissatisfied with the TTAB's opposition decision may appeal to the Federal Circuit "thereby waiving his right to proceed under subsection (b) of this section." Consistent with *Astoria*, Congress's inclusion of that specific waiver provision is properly construed as showing that Congress intended that only by appealing to the Federal Circuit under § 1071(a) could a dissatisfied party possibly be viewed as foregoing its ability to introduce new evidence and

obtain a *de novo* decision in a future district court proceeding.[10]

If the dissatisfied party does not appeal under § 1071(a) directly from the TTAB opposition decision, that party does not concede that the administrative record is sufficient, and thus does not waive its ability to introduce new evidence and have all issues decided *de novo* in a district court, even if such proceedings do not occur unless and until a later infringement lawsuit is filed. Moreover, no such waiver should be implied from a party's decision to forego an immediate appeal on the existing TTAB record due to the express statutory language describing the sole circumstances that Congress intended could result in such a waiver.

While § 1071 expressly provides two options for a dissatisfied party, it also allows for a very legitimate third one. Rather than having to proceed under either § 1071(a) or § 1071(b), a dissatisfied party can accept the TTAB's opposition decision as resolving *only* the disputed claim to a federal trademark registration. However, Congress intended that such party could opt to stop disputing the claim to registration secure in the knowledge that additional evidence could be introduced on all relevant issues in a future *de novo* proceeding in district court, such as where an applicant losing an

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[10] If a § 1071(a) appeal is taken, general issue preclusion principles would further limit any possible issue preclusion to only any identical issues that were actually and necessarily decided by the Federal Circuit, not the TTAB.

opposition is later sued by the opposer for infringement and faced with the significantly higher stakes of monetary damages and a possible injunction. *See* INTA Br. 26-28.

In *EZ Loader*, the Seventh Circuit explained that if EZ had chosen to proceed under § 1071(b), "it would have been entitled to a *de novo* hearing at which it could have introduced new evidence. By choosing instead to appeal to the court of appeals, EZ waived its right to such hearing." 746 F.2d at 377. While Amicus Curiae disagrees with the Seventh Circuit's subsequent analysis of whether the TTAB procedures provide a "full and fair opportunity to litigate" (*see infra* section III.D), the Seventh Circuit's recognition of the waiver provision suggests even that court might have reached the opposite result on allowing issue preclusion based on TTAB decisions if it had undertaken the statutory analysis into Congress's intent later mandated under *Elliott* and *Astoria*.

Despite also lacking this Court's guidance in *Elliott* and *Astoria*, Amicus Curiae submits that the Fifth Circuit in *American Heritage* got the required analysis and the interpretation of Congress's intent completely right. This Court should reach the same conclusion here.

C. Congress's Choice Not To Allow Issue Preclusion For TTAB Decisions Has More Than Plausible Support

While this Court in *Astoria* stressed that the wisdom of Congress's preclusion decision had no

bearing on its disposition, this Court acknowledged that Congress's choice against according preclusive effect to those state agency rulings "had plausible policy support." *See* 501 U.S. at 113. Here, the policy support is even greater for Congress's choice not to give any issue preclusive effect to TTAB opposition determinations.

As in *Astoria*, Congress's choice against preclusion for TTAB decisions "eliminated litigation that would otherwise result ... case to case, over whether the agency has in fact 'act[ed] in a judicial capacity' and afforded the parties 'an adequate opportunity to litigate' ... so as to justify application of a normal rule in favor of estoppel." *See* 501 U.S. at 114 (quoting *Utah Construction*, 384 U.S. at 422). In addition, Congress's choice here further eliminates similar "case to case" and fact-intensive litigation over other necessary elements for applying preclusion. Those are exemplified by the parties' extensive debates over whether the TTAB in fact considered the same usages and decided the "same" likelihood-of-confusion issue, which the United States concedes might otherwise have to be resolved in virtually all post-opposition infringement cases. *See* U.S. Br. 23-25.

Congress's choice also reflects its appreciation that, in most situations, the costs of challenging the TTAB's opposition decision under either § 1071(a) or § 1071(b) will greatly outweigh any benefits gained from obtaining or defeating federal registration of the mark. *See Parklane*, 439 U.S. at 330; INTA Br. 26-27. As recognized in *Astoria*, the result "will be some duplication of effort, [but] the duplication will

not be that great." 501 U.S. at 113. Importantly, it will be limited to the instances where post-opposition infringement litigation actually occurs and, because new evidence and new issues will always be involved, the later litigation will never be duplicative.

By providing for "remedy by civil action" under § 1071(b), Congress signaled its understanding that, even for the limited purpose of determining registrability, TTAB evidentiary records will often be incomplete, whether due to shortfalls of discovery, evidence, or resources. In foreclosing any issue preclusion, Congress decided that a dissatisfied party should not be forced to appeal under § 1071(a) where substantial evidence might exist for the TTAB decision, but where the administrative record is recognized as lacking. *See Agilent Techs., Inc. v. Affymetrix, Inc.*, 567 F.3d 1366, 1380 (Fed. Cir. 2009) (similar "civil action" under 35 U.S.C. § 146 of the patent statute allows "option of shoring up evidentiary gaps").

Congress's choice against TTAB preclusion also recognizes that a dissatisfied party should not be required to proceed under § 1071(b). Even if future litigation between the parties may be foreseeable, a dissatisfied applicant may prefer to forego the civil remedy under § 1071(b), despite the right to *de novo* findings on a full record from the district court, to preserve its ability to have those issues decided by a jury in any future lawsuit. *See Anheuser-Busch, Inc. v. L. & L. Wings, Inc.*, 962 F.2d 316, 318 (4th Cir. 1992) (likelihood of confusion is "pivotal trademark issue" that is "particularly amenable to resolution by a jury"). By not according

preclusive effect to TTAB decisions, Congress allowed that quintessential jury issue to remain exactly that.[11]

When construed as a whole, § 1071 establishes Congress's intent that no preclusive effect should attach to a TTAB decision that is not reviewed under either § 1071(a) or § 1071(b). Amicus Curiae submits that this Court can and should resolve this case on that basis.

III. The TTAB Procedures Do Not Allow A "Full and Fair Opportunity To Litigate" That Supports Any Issue Preclusion

Despite its prominent role in this Court's precedents, the separate inquiry into whether the TTAB opposition proceedings did in this case—or would ever—provide a "full and fair opportunity to litigate" was also not addressed. Even before this Court, it is still simply assumed that they would. However, that critically important safeguard should not be sidestepped so cavalierly.

The requirement of a "full and fair opportunity to litigate" in the first proceeding must be satisfied

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[11] In *Parklane*, the availability of a jury in the second proceeding was deemed "basically neutral" as a factor for overriding the federal preference for preclusion. 439 U.S. at 332 & n.19. However, *Parklane* did not involve a prior administrative proceeding and did not address whether preserving access to a jury trial is a valid policy concern supporting Congress's separately expressed intent to foreclose issue preclusion under a particular statutory scheme like the Lanham Act.

before any issue preclusion can be applied in any later proceeding. Amicus Curiae believes that this Court should not resolve this case without an appreciation and evaluation of the TTAB's established *inter partes* procedures that systemically bar all live direct examination and all live cross-examination of witnesses from being heard or seen by the agency factfinder.

A. The Eighth Circuit Relied On An Incomplete Standard For Evaluating Any Possible Issue Preclusion

The Eighth Circuit cited five necessary elements for issue preclusion as listed in *Robinette v. Jones*, 476 F.3d 585, 589 (8th Cir. 2007).[12] *See* Pet. App. 7a-8a. The Eighth Circuit thus did not consider as an initial matter whether TTAB opposition proceedings did or could provide a "full and fair opportunity to litigate" because *Robinette* did not include that as a necessary requirement.

On its face, the list of necessary elements in *Robinette* is incomplete where, as here, the asserted issue preclusion is based on a prior administrative decision. In *Robinette*, and in the earlier Eighth

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[12] The Eighth Circuit held that issue preclusion was defeated by the second element in *Robinette* upon deciding that the "likelihood of confusion" issue in the parties' later trademark infringement case was not the same as the "likelihood of confusion" issue in the prior TTAB opposition proceeding. Pet. App. 8a-11a. Focusing on the separate requirements for issue preclusion discussed herein, Amicus Curiae's analysis does not reach or independently address that issue.

Circuit decision cited therein, the prior proceeding was in federal court.[13] There is typically no question that the applicable federal court procedures provide the requisite "full and fair opportunity to litigate." However, the same cannot be assumed of prior administrative proceedings.

By applying a test that omitted the "full and fair opportunity to litigate" requirement, the Eighth Circuit left a fundamental flaw in its analysis that this Court should not ignore. If the Eighth Circuit's assumption "that TTAB decisions may be entitled to preclusive effect" (Pet. App. 7a) is incorrect due to the lack of a "full and fair opportunity to litigate," the general elements of issue preclusion would not have to be addressed in this or any future trademark infringement case.

B. A Prior "Full And Fair Opportunity To Litigate" In The TTAB Cannot Be Assumed But Must Be Established

Before this Court, the Petitioner and various amici mention the "full and fair opportunity to litigate" requirement but erroneously assume such requirement is satisfied by TTAB proceedings. Petitioner agrees that it is the "'most significant safeguard" of federal preclusion doctrine. Pet. Br. 21 (quoting *Blonder-Tongue*). Petitioner also confirms the requirement must be met before issue preclusion can possibly attach by arguing that a party should

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[13] *See Robinette*, 476 F.3d at 589 (quoting *Anderson v. Genuine Parts Co.*, 128 F.3d 1267, 1273 (8th Cir. 1997)).

not be entitled to more than one "full and fair opportunity to litigate." *See* Pet. Br. 19. But no one ever addressed or established here that there had been a first one.

The United States now offers that "final Board decisions in opposition proceedings are entitled to preclusive effect" because the TTAB "acts in a 'judicial capacity' when it evaluates an opposition petition." U.S. Br. 18 (citing *Utah Construction*, 384 U.S. at 422). However, an agency "acting in a judicial capacity" is a necessary condition, but not a sufficient one. Even if the TTAB acts in a "judicial capacity" during its opposition proceedings, issue preclusion is still not warranted if the TTAB's procedures systemically prevent a "full and fair opportunity to litigate."

In that regard, the United States merely declares that "[b]oth the applicant and the opposer have a full and fair opportunity to present evidence and argument and may appeal the Board's decision." U.S. Br. 18. The only cited support is an earlier passage in its brief describing the TTAB procedures applicable to all "opposition proceedings." *See* U.S. Br. 4-6. The Government apparently is urging that a "full and fair opportunity to litigate" under TTAB procedures is established for all purposes merely from that description. Amicus Curiae submits that the Government's description actually establishes the opposite; *i.e.*, that the TTAB's opposition procedures are facially insufficient to support any future issue preclusion.

As confirmed by the passage in the United States' brief, the TTAB decides all opposition proceedings based entirely on a written record because the TTAB does not allow and thus does not hear or see any live testimony at any time during its decision-making process:

> [Opposition] proceedings are "similar to a civil action in federal district court," with the "principal difference [being] that ... the Board's actions in a particular case are based upon the written record." PTO, *Trademark Trial and Appeal Board Manual of Procedure* § 102.03, at 100-12 (June 2014) (TTAB Manual). The Board's rules incorporate the Federal Rules of Civil Procedure and Federal Rules of Evidence, with certain modifications, and parties may submit oral testimony through transcribed depositions. 37 C.F.R. 2.120(a)(1), 2.122(a), 2.123; TTAB Manual §§ 401, 702.02, at 400-5, 700-12.

U.S. Br. 4. Specifically, "all testimony is taken out of the presence of the Board ..., and the written transcripts thereof, together with any exhibits thereto, are then filed with the Board."[14] TTAB Manual § 102.03, at 100-12.

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[14] By allowing only the filing of written deposition transcripts and exhibits, the current PTO rules governing TTAB procedures also necessarily foreclose the filing and therefore any viewing of any videotaped depositions. *See* 37 C.F.R § 2.125(a).

The TTAB Manual reveals that "a party to a proceeding before the Board need never come to the offices of the Board at all, unless the Board requests that the parties meet with the Board at its offices for a pretrial conference." *Id.* The only thing ever heard by the Board might be oral argument by counsel (which is not evidence), which occurs only if timely requested by a party. *See* 37 C.F.R. § 2.129(a); TTAB Manual § 802.01-03. Given the indisputable lack of any live witness testimony, one amicus curiae correctly explains that "[t]his severely limits the TTAB's ability to evaluate the credibility of witnesses and limits the engagement between the judge and the parties." *See* INTA Br. 24.

The critical yet unaddressed issue is whether the TTAB's complete inability to assess credibility through hearing and seeing any live witness testimony and cross-examination as part of its fact-finding process during *inter partes* opposition proceedings deprives the parties of the required "full and fair opportunity to litigate." As explained below, Amicus Curiae submits that it does.

C. The TTAB Procedures Excluding All Live Testimony And Live Cross-Examination Do Not Permit A "Full And Fair Opportunity To Litigate"

The standards for evaluating whether a prior federal administrative proceeding provides a "full and fair opportunity to litigate" have not been fully explored. For state administrative proceedings, *Kremer v. Chemical Const. Corp.*, 456 U.S. 461

(1982), held such inquiry is at least bounded by 28 U.S.C. § 1738 and the Due Process Clause.

In *Kremer*, this Court addressed application of collateral estoppel in a federal suit under Title VII of the Civil Rights Act of 1964, based on a prior state court appellate decision upholding a state agency's rejection of petitioner's discrimination claim under state law. Because the prior decision was by a state court, this Court first determined that nothing in the statutory language or legislative history of Title VI showed that Congress intended to override the provisions of § 1738. *See* 456 U.S. at 468-76; *supra* note 6. However, Kremer also asserted that the state's procedures were "so fundamentally flawed" that they should be denied recognition under § 1738. 456 U.S. at 480.

The Court in *Kremer* observed that it had "not specified the source or defined the content of the requirement that the first adjudication offer a full and fair opportunity to litigate." 456 U.S. at 481. Viewing itself bound by § 1738 in the state-federal setting of *Kremer*, this Court held that the state proceedings "need do no more than satisfy the minimum procedural requirements of the Fourteenth Amendment's Due Process Clause in order to qualify for the full faith and credit guaranteed by federal law." *See* 456 U.S. at 481.

Unlike in *Kremer*, the required inquiry into what constitutes a "full and fair opportunity to litigate" during TTAB proceedings is not governed by § 1738. Unconstrained by § 1738, this Court can demand more of federal administrative procedures

than might a state court require of its own State's administrative procedures. Moreover, there should be no need to show that the TTAB's procedures do not provide procedural due process for all purposes in order to establish that a "full and fair opportunity to litigate" is lacking as a condition for applying issue preclusion.

That is because, as emphasized in *Kremer*, "no single model of procedural fairness, let alone a particular form of procedure, is dictated by the Due Process Clause." 456 U.S. at 483 (citing *Mitchell v. W.T. Grant Co.*, 416 U.S. 600, 610 (1974) ("very nature of due process negates any concept of inflexible procedures universally applicable to every imaginable situation")). Thus, even for a single set of administrative procedures, there may be adequate due process for one purpose while a failure to provide due process for another.

To resolve this case, this Court need not address whether the TTAB's opposition procedures violate the Constitution when applied for their intended purpose of resolving *inter partes* disputes over the right of an applicant to a federal trademark registration. Instead, the Court need only consider whether the TTAB's procedures, which prevent all live testimony and all live cross-examination from being evaluated during the TTAB's deliberative and fact-finding processes, constitute a "full and fair opportunity to litigate" that could support potential application of issue preclusion.

D. For Purposes Of Applying Issue Preclusion, The TTAB Procedures Do Not Satisfy Due Process

A fundamental requirement of due process is the opportunity to be heard at a meaningful time and in a meaningful manner. *Armstrong v. Manzo*, 380 U.S. 545, 552 (1965). As established by its own rules, the TTAB never hears anything at any time during opposition proceedings, except perhaps oral argument of counsel. While that may be sufficient for deciding an applicant's right to a federal trademark registration, it is not enough to support issue preclusion in future federal court litigation.

In *Goldberg v. Kelly*, 397 U.S. 254, 267-71 (1970), this Court held that a State that terminates public assistance without affording an opportunity for a pre-termination evidentiary hearing violates the Constitution. In addition to timely notice, the Court viewed due process principles as requiring "an effective opportunity to defend by confronting any adverse witnesses and by presenting his own arguments and evidence orally." *Id.* at 268.

In *Goldberg*, the city's procedures did not permit welfare recipients to appear personally before the official who finally determined their continued eligibility for benefits. 397 U.S. at 268. Because "a recipient is not permitted to present evidence to that official orally, or to confront or cross-examine adverse witnesses," this Court concluded that "[t]hese omissions are fatal to the constitutional adequacy of the procedures." *Id.* Similarly, under the TTAB's procedures, parties to an opposition

proceeding cannot present any evidence orally, and no party can confront or cross-examine adverse witnesses live before the TTAB.

The primary distinction between the disapproved city's procedures in *Goldberg* and the TTAB's procedures is that parties before the TTAB may depose witnesses and submit the written transcripts, including any cross-examination, to the Board. However, as further explained in *Goldberg*:

> [W]ritten submissions do not afford the flexibility of oral presentations; they do not permit the recipient to mold his argument to the issues the decision maker appears to regard as important. Particularly where credibility and veracity are at issue, as they must be in many termination proceedings, written submissions are a wholly unsatisfactory basis for decision.

397 U.S. at 269. Thus, "[i]n almost every setting where important decisions turn on questions of fact, due process requires an opportunity to confront and cross-examine adverse witnesses." *Id.*

Later decisions limit *Goldberg* regarding the circumstances when due process requires a pre-deprivation hearing when a constitutionally-adequate post-deprivation evidentiary hearing is provided. *See Mathews v. Eldridge*, 424 U.S. 319 (1976). But in distinguishing *Goldberg* and approving the post-termination hearing provided in *Mathews*, this Court noted that post-termination hearing was of the type required in *Goldberg*, which

included "an effective opportunity (for the recipient) to defend by confronting any adverse witnesses and by presenting his own arguments and evidence orally." *Id.* at 325 n.4.

In contrast, the relevant concern here is not over the timing of the TTAB hearing, but over its procedures and content. Amicus Curiae has not identified any decision of this Court which accords preclusive effect to findings that were reached in any prior proceeding where the parties' opportunity and ability to present live testimony and cross-examination were categorically foreclosed by the governing rules and procedures of the first tribunal. Yet those are the rules and procedures governing all TTAB oppositions that Petitioner and the United States have erroneously assumed are sufficient for potential application of issue preclusion.

In *Nasem v. Brown*, 595 F.2d 801 (D.C. Cir. 1979), the court of appeals affirmed that issue preclusion did not apply in a federal Title VII action where underlying discrimination issues had been previously decided in a federal administrative proceeding. The party complaining of reprisal filed a written charge containing his version of the relevant facts, and the employer agency investigated and filed its response with the reviewing agency, who then resolved the dispute based only on those written papers. *See* 595 F.3d at 806-07.

The court in *Nasem* rejected application of collateral estoppel by comparing Nasem's prior administrative hearing to that in *Utah Construction*:

> In contrast, the administrative hearing approved by the Supreme Court in *Utah Construction* provided a "full-dress adversary proceeding with testimony, cross-examination, exhibits, briefs, and argument." Brief for United States at 9, *United States v. Utah Construction & Mining Co.*, [384 U.S. 394 (1966)]. * * *
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> [The agency procedures at issue do] not provide procedural safeguards contemplated by *Utah Construction*. We are particularly disturbed by the inability of the parties to present live witness testimony in a proceeding that necessarily turns largely on retaliatory motivation, ... and thus demands that the decision-maker weigh witness credibility.

See 595 F.2d at 807 (citation and footnote omitted). Subsequently, the Eleventh Circuit in *City of Pompano Beach v. Fed. Aviation Admin.*, 774 F.2d 1529, 1538 n.10 (11th Cir. 1985), necessarily followed *Nasem* while observing that "an agency proceeding which does not afford an opportunity to present live witnesses or to cross-examine opposing witnesses does not meet the test that the parties were afforded a full opportunity to litigate."

On the other hand, the Seventh Circuit in *EZ Loader* did not agree that the TTAB's failure to entertain live witnesses prevented appellant from having "a fair opportunity" to present its case because appellant had not shown how its case was affected, much less disadvantaged, by the Board's reliance on written deposition testimony. *See* 746

F.2d at 378. However, if live testimony and live cross-examination are necessary for a "full and fair opportunity to litigate," no showing of prejudice beyond the undisputed prohibition of such evidence should be required.

Unless the term "full" has no independent meaning in this Court's "full and fair opportunity to litigate" requirement, the Seventh Circuit's reliance on a mere "fair opportunity" standard was likely deficient. In any event, whether or not the TTAB rules and procedures may be sufficiently "fair" or "adequate" to resolve opposition disputes over a right to federal trademark registration, the relevant concern in *EZ Loader* should have been, as it is here, whether the TTAB's procedures were so "full and fair" as to yield findings that justify being accorded potential preclusive effect in federal court. Amicus Curiae submits that they are not.

Moreover, the "full and fair opportunity to litigate" required as a condition for issue preclusion should be measured by comparing procedures between the first and second tribunals, not merely by deciding what seems "fair" or "adequate" for the purpose of the first one. In *Parklane*, this Court cited situations where applying "offensive" collateral estoppel would be unfair to the defendant so as to counsel a district court to exercise its discretion not to apply such estoppel in particular cases. *See* 439 U.S. at 329-30. One example was "where the second action affords the defendant procedural opportunities unavailable in the first action that could readily cause a different result." *Id.* at 330-31. In a footnote, this Court gave further details of a

"defendant in the first action [that] was forced to defend in an inconvenient forum and therefore was unable to engage in full scale discovery or call witnesses." *Id.* at 331 n.15.

Together with the limited discovery, the reduced incentives to litigate, and the focus on different issues and evidence in the TTAB (*see* INTA Br. 22-28), the parties' inability to call witnesses to be examined and cross-examined live before the TTAB factfinder falls squarely within the example in *Parklane*.[15] Because the TTAB procedures barring live testimony result in that scenario occurring in *every* TTAB opposition proceeding, this Court should reaffirm *Parklane* by holding that issue preclusion can *never* be based on a TTAB opposition determination.

E. The Strong Federal Preference For Live Testimony And Live Cross-Examination Should Be Respected

Whether considered separately or in addition to the above due process concerns, the fundamental role that live testimony has in the federal court system should not be disregarded. *See United States v. Thoms*, 684 F.3d 893, 903 (9th Cir. 2012) ("live testimony is the bedrock of the search for truth in our judicial system"). The federal system has a clear preference for factual disputes involving credibility

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[15] Here, the conflicting outcomes between the parties' TTAB opposition proceeding and subsequent jury trial strongly suggests that live testimony and cross-examination "could readily cause a different result." *See* 439 U.S. at 330-31.

issues to be decided through consideration of live testimony and live cross-examination rather than allowing the factfinder to rely solely on written submissions.

Fed. R. Civ. P. 43(a) provides that "[a]t trial, the witnesses' testimony must be taken in open court unless a federal statute, the Federal Rules of Evidence, these rules, or other rules adopted by the Supreme Court provide otherwise." Because the PTO rules governing TTAB procedures in *inter partes* trademark proceedings, 37 C.F.R. §§ 2.116-.136, are not within an exception under Rule 43(a), application of issue preclusion based on TTAB decisions should not be allowed to undermine the federal rule mandating that witness testimony be taken live in open court.

As stated in the 1996 Advisory Committee Note accompanying Rule 43:

> The very ceremony of trial and the presence of the factfinder may exert a powerful force for truthtelling. The opportunity to judge the demeanor of a witness face-to-face is accorded great value in our tradition.

See Thoms, 684 F.3d at 904 ("strong presumption in our system is that demeanor evidence has important value"). And if depositions were taken and relied upon before the TTAB, then witness credibility is necessarily at issue.

In describing the "civil remedy" in § 145 of the patent statute, the Court observed in *Hyatt* that

"[the] opportunity to present new evidence is significant, not the least because the PTO generally does not accept oral testimony." *See* 132 S. Ct. at 1694. Such recognized significance is even greater in this context. By giving a factfinder more information on which to judge witness demeanor and make credibility determinations, live testimony will always constitute "new evidence," even if its substance and word choice is identical to a written version of a witness' pretrial deposition or declaration.[16] *See Thoms*, 684 F.3d at 904.

In *Oshodi v. Holder*, 729 F.3d 883 (9th Cir. 2013) (*en banc*), the Ninth Circuit reaffirmed the critical importance of live testimony, holding that the Board of Immigration Appeals denied due process by cutting off an immigrant's oral testimony at his removal hearing about his past persecution in Nigeria. Instead, the Board relied on his written declaration of those events submitted with his asylum application to resolve credibility issues against him and deny his application. *See id.* at 887-88. Holding that hearing a party's live testimony was "an essential aspect of a full and fair hearing," the court held that the refusal to allow Oshodi to

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[16] This Court's decision in *Hyatt* also effectively resolves any remaining dispute over the second question presented regarding what, if any, deference should be given to a TTAB opposition decision in the absence of any issue preclusion. *See* 132 S. Ct. at 1700 ("the district court cannot meaningfully defer to the PTO's factual findings if the PTO considered a different set of facts"); *see also* INTA Br. 28-32. Of course, if a different issue is involved or a "full and fair opportunity to litigate" was lacking, no deference is appropriate.

testify live about events described in his written declaration "violated [his] due process right to present oral testimony about the events at the heart of his claim." *Id.* at 889-90 (citing *Goldberg*).

If due process does not require any live witness testimony or any live cross-examination before the factfinder, then district courts would be able—without constitutional restraint—to resolve the disputed factual issues in their nonjury trials entirely on a written record. Merely to state such a proposition should expose why such a procedure would not provide a "full and fair opportunity to litigate" in the federal judicial system. No federal court has yet dared go that far,[17] and no court should be allowed to do so. This Court should not allow the TTAB's administrative findings that were reached in such a manner to be accorded any issue preclusive effect in federal court.

---

[17] One federal district judge has a standing procedural order requiring that all direct testimony in nonjury trials be submitted by affidavit or declaration. *See Kuntz v. Sea Eagle Diving Adventures Corp.*, 199 F.R.D. 665 (D. Haw. 2001). Even under that order, all cross-examination and redirect testimony must be live in open court. *Id.* at 671.

CONCLUSION

For the reasons stated herein, it necessarily follows that the judgment should be affirmed.

Respectfully submitted.

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AMICUS CURIAE BRIEF

RECORD AND BRIEFS

No. 13-352

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IN THE

Supreme Court of the United States

B&B HARDWARE, INC.,

Petitioner,

—v.—

HARGIS INDUSTRIES, INC., D/B/A SEALTITE BUILDING FASTENERS, D/B/A EAST TEXAS FASTENERS, *et al.*,

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE EIGHTH CIRCUIT

BRIEF OF *AMICUS CURIAE* THE INTERNATIONAL TRADEMARK ASSOCIATION IN SUPPORT OF NEITHER PARTY

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STATEMENT OF INTEREST OF THE *AMICUS CURIAE*[1]

The International Trademark Association ("INTA") submits this brief as *amicus curiae* in support of neither party.

Founded in 1878, INTA is a global organization dedicated to supporting trademarks and related intellectual property in order to protect consumers and to promote fair and effective commerce. INTA has more than 6,400 members in more than 190 countries. Its members include trademark and brand owners, as well as law firms and other professionals who regularly assist brand owners in the creation, registration, protection, and enforcement of their trademarks. All INTA members share the goal of promoting an understanding of the essential role that trademarks and goodwill play in fostering commerce, fair competition, and informed decision-making by consumers.

INTA was founded in part to encourage the enactment of federal trademark legislation after invalidation on constitutional grounds of the United States' first trademark act. Since then, INTA has been instrumental in making recommendations and providing assistance to

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1. In accordance with Supreme Court Rule 37.6, amicus curiae states that this brief was authored solely by INTA and its counsel, and no part of this brief was authored by counsel to a party. No party or counsel for a party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than amicus curiae, its members, and its counsel made such a monetary contribution to its preparation or submission. The parties have filed blanket letters consenting to the filing of amicus briefs in support of either party or of neither party.

legislators in connection with major trademark and related legislation. INTA members are frequent participants in Lanham Act–related litigation as both plaintiffs and defendants. INTA has also participated as amicus curiae in numerous cases involving significant Lanham Act issues in this Court and others.[2]

INTA and its members have a particular interest in this case. This Court granted certiorari to consider whether a determination of likelihood of confusion by the TTAB, in an *inter partes* proceeding, has issue preclusive effect in subsequent civil court proceedings where likelihood of confusion is at issue and, if preclusion is inapplicable, whether the TTAB's findings should be given any deference. The circuit court decisions on these questions conflict and provide unclear guidance.

INTA takes no position with respect to the plausibility of either party's allegations or the merits of their substantive claims. It is in the interest of INTA and its members, however, for this Court to rule definitively

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2. INTA has filed amicus briefs in this Court in the following matters: *Pom Wonderful LLC v. Coca-Cola Co.y*, 134 S. Ct. 2228 (2014); *Lexmark Int'l* v. *Static Control Components*, 134 S. Ct. 1377 (2014); *Already, LLC* v. *Nike, Inc.*, 133 S. Ct. 721 (2013); *KP Permanent Make-Up, Inc.* v. *Lasting Impression I, Inc.*, 543 U.S. 111 (2004); *Dastar Corp.* v. *Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2003); *Moseley* v. *V Secret Catalogue, Inc.*, 537 U.S. 418 (2003); *TrafFix Devices, Inc.* v. *Mktg. Displays, Inc.*, 532 U.S. 23 (2001); *Wal-Mart Stores, Inc.* v. *Samara Bros.*, 529 U.S. 205 (2000); *Fla. Prepaid Postsecondary Educ. Expense Bd.* v. *Coll. Sav. Bank*, 527 U.S. 627 (1999); *Qualitex Co.* v. *Jacobson Prods. Co.*, 514 U.S. 159 (1995); *Two Pesos, Inc.* v. *Taco Cabana, Inc.*, 505 U.S. 763 (1992); *K Mart Corp.* v. *Cartier, Inc.*, 486 U.S. 281 (1988).

on when preclusion or deference may apply based on a complete understanding as to the differences between the TTAB and civil court litigation involving the issue of likelihood of confusion.

SUMMARY OF THE ARGUMENT

This Court granted certiorari to answer two questions that have divided the federal Courts of Appeal and have left trademark practitioners with unclear and inconsistent guidance: (1) whether findings by the Trademark Trial and Appeal Board ("TTAB") concerning a likelihood of confusion precludes relitigation of that issue in a federal court civil action; and (2) whether, if issue preclusion does not apply, the district court should nevertheless grant some deference to the TTAB's findings.

INTA and its members have significant experience litigating likelihood of confusion in TTAB proceedings and in civil court. As a result, they have acquired a practical, experience-based understanding of the significant differences between litigation before the TTAB and litigation in the courts involving likelihood of confusion issues, including with respect to the standards applied, the evidence typically considered, the available remedies, and the manner in which each tribunal adjudicates the issue. In particular, because TTAB proceedings are limited to the issue of registrability, the TTAB typically focuses only on an abstract comparison of the marks and goods as listed in the application rather than on how the litigants' marks actually are used, and perceived by consumers, in the marketplace. These marketplace factors, though – which can include the use of distinguishing features like house marks on the parties' packaging, the channels of

trade in which the goods are offered, and the class and sophistication of consumers who purchase and consume them – often are critical in determining the key issue in trademark litigation in the courts, which is whether consumers are likely to be confused as to source or affiliation by the use of the challenged designation in the real world. Because of the TTAB's limited jurisdictional mandate, however, it typically disregards such evidence when considering the narrow question of registrability, which is based solely on how the marks are presented in the applications and registrations at issue.

The TTAB's resulting comparison of the marks as they appear on paper is no substitute for the type of real-world, evidence-based analysis undertaken in civil litigation. The significant differences between TTAB proceedings and civil court adjudication of likelihood of confusion make the application of issue preclusion in subsequent civil litigation inappropriate. INTA believes, however, that district courts should have the discretion to give evidentiary weight to the TTAB's determination in certain circumstances. If the court finds that the evidence actually presented and considered at the TTAB covers all of the factors relevant to the court's determination, and that the party sought to be bound had a full and fair opportunity to develop the evidentiary record and litigate the issues, some degree of deference may be appropriate. Based upon this particularized analysis of the evidentiary record, district courts should determine, on a case-by-case basis, whether any portion of that decision should be given deference with respect to factual issues presented in the federal action, and if so, to what degree.

ARGUMENT

I. TTAB DECISIONS ARE ELIGIBLE FOR ISSUE PRECLUSION DESPITE THE FACT THAT THE TTAB IS AN ADMINISTRATIVE AGENCY

INTA agrees with the United States that the status of the TTAB as an administrative tribunal does not deprive its decisions of potentially preclusive effect in Article III courts. *See* Brief for the United States as Amicus Curiae ("Brief for the U.S.") at 10–11. INTA also agrees that preclusion is appropriate "when an administrative agency is acting in a judicial capacity and resolves disputed issues of fact properly before it which the parties have had an adequate opportunity to litigate." *Astoria Fed. Sav. & Loan Ass'n v. Solimino*, 501 U.S. 104, 107 (1991); *see also United States v. Utah Constr. & Mining Co.*, 384 U.S. 394, 422 (1966).

The TTAB acts in a judicial capacity in the context of an *inter partes* proceeding. TTAB opposition and cancellation proceedings are adversarial proceedings in which both parties can be represented by counsel, present evidence, submit briefs and obtain judicial review. *EZ Loader Boat Trailers, Inc. v. Cox Trailers, Inc.*, 746 F.2d 375, 378 (7th Cir. 1984) (finding "no question" that opposition proceeding involved agency acting in a judicial capacity); *see generally* 3 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 20:99 (4th ed. 2014) (describing jurisdiction and procedure in opposition and cancellation actions).

Thus, at least in theory, a TTAB decision in an opposition or cancellation proceeding is eligible for the application of issue preclusion in subsequent civil

litigation. For example, the TTAB's determination of priority – *i.e.*, which party was the first to use a mark or otherwise acquire exclusive rights in a mark – generally can preclude the issue in a later litigation because the TTAB considers the same types of evidence and the parties have the same incentive to litigate. *See, e.g., Lewis v. Microsoft Corp.*, 410 F. Supp. 2d 432, 436-37 (E.D.N.C. 2006) (TTAB decision that plaintiff's use of the mark was junior to that of defendant's use carried preclusive effect); *Brandt Indus., Ltd. v. Pitonyak Machinery Corp.*, 2012 WL 3257886 at *7-*9 (S.D. Ind. Aug. 8, 2012) (holding that concession of priority before the TTAB carried preclusive effect, in later civil proceedings).

The fact some TTAB determinations are *eligible* for preclusive effect, however, does not mean that issue preclusion *should* be available for all TTAB determinations. Rather, as discussed below, INTA believes that TTAB decisions on likelihood of confusion should *not* be given preclusive effect, and should only be given deference in rare circumstances.

II. CIRCUIT COURTS HAVE APPLIED VARYING STANDARDS IN DECIDING WHETHER TO ACCORD PRECLUSIVE EFFECT TO TTAB DECISIONS ON CONFUSION

Courts generally apply a multifactor test to determine whether to preclude relitigation of a previously-decided issue. Issue preclusion is appropriate where "(1) the issues in both proceedings are identical, (2) the issue in the prior proceeding was actually litigated and actually decided, (3) there was full and fair opportunity to litigate in the prior proceeding, and (4) the issue previously litigated was necessary to support a valid and final judgment on

the merits." *NLRB v. Thalbo Corp.*, 171 F.3d 102, 109 (2d Cir. 1999); *see also* 18 Wright, Miller, and Cooper, FEDERAL PRACTICE AND PROCEDURE § 4416 (2d ed. 2014). In the context of a prior TTAB decision on the issue of likelihood of confusion, the Circuits have adopted a variety of approaches, and focused on different elements of the general rule, in deciding whether to apply issue preclusion.

The Second Circuit, for example, instructs district courts to examine the extent to which the TTAB considered the "entire marketplace context" with respect to the marks at issue, and to grant preclusion only when the TTAB considered such context "in a meaningful way." *Levy v. Kosher Overseers Ass's of Am.*, 104 F.3d 38, 42 (2d Cir. 1997) (finding that the TTAB provided no basis to assess factors aside from similarity, thereby failing to provide evidence of "entire marketplace context"); *accord Jim Beam Brands Co. v. Beamish & Crawford Ltd.*, 937 F.2d 729, 735 (2d Cir. 1991) (finding TTAB's consideration of retail channels and identity of customers insufficient to constitute meaningful consideration of marketplace context); *see also Light Sources, Inc. v. Cosmedico Light, Inc.*, 360 F. Supp. 2d 432, 440 (D. Conn. 2005) (although "claims that directly concern [defendant]'s right to *register* the . . . mark are barred by res judicata, [plaintiff's] claims that directly concern or are derived from [defendant]'s *use* of the...mark in the marketplace might not be barred by res judicata" (emphasis in original)); *see also Alberto-Culver Co. v. Trevive, Inc.*, 199 F. Supp. 2d 1004, 1013–15 (C.D. Cal. 2002) (adopting the Second Circuit's rule and examining the extent to which the TTAB considered (1) advertising expenditures and sales, (2) location of additional phrases on labeling and packaging, (3) slogans used to promote products, and (4) color and qualities of labels).

Other Circuits have assumed, without analysis, that the issues decided in TTAB *inter partes* proceedings and district court infringement actions are the same, and have focused instead on other factors in considering whether issue preclusion is appropriate. For example, in *EZ Loader Boat Trailers, Inc.*, 746 F.2d at 377, the Seventh Circuit affirmed the application of issue preclusion based upon a TTAB finding after concluding that the parties had had a "full and fair opportunity to litigate" before the TTAB.

By contrast, courts in the Fifth and the Eleventh Circuits decline to give TTAB decisions preclusive effect based on their interpretation of 15 U.S.C. § 1071(b), which addresses appeals of a TTAB decision to the federal courts. They reason that the availability of an appeal to the federal courts, where new evidence may be considered *de novo*, is inconsistent with giving TTAB determinations preclusive effect. *American Heritage Life Ins. Co. v. Heritage Life Ins. Co.*, 494 F.2d 3 (5th Cir. 1974); *Freedom Sav. & Loan Ass'n v. Way*, 757 F.2d 1176 (11th Cir. 1985).

The Third Circuit takes yet another approach. It allows issue preclusion only when the "essentiality" element is met. This is essentially another way of assessing whether the parties had a full and fair opportunity to litigate the matter. *See, e.g., Jean Alexander Cosmetics, Inc. v. L'Oreal USA, Inc.*, 458 F.3d 244, 250–51 (3d Cir. 2006) (affirming application of collateral estoppel after determining that TTAB's "alternative holding" satisfied requirement that the determination was essential to the prior judgment, and noting that, "[b]ecause litigants are likely to view an issue that is necessary to the resolution of a case as important and to litigate it vigorously, it is fair to give such a determination preclusive effect").

III. BECAUSE OF THE SIGNIFICANT DIFFERENCES IN THE STANDARDS AND PROCEDURES APPLIED BY THE TTAB AND FEDERAL COURTS, PRECLUSION SHOULD NOT APPLY TO TTAB FINDINGS ON THE LIKELIHOOD OF CONFUSION.

Although it is theoretically possible that a TTAB decision on likelihood of confusion might be one in which the identical legal issue was litigated in a proceeding in which the parties were afforded a full and fair opportunity to litigate that issue as they would have done in a district court, it is the experience of INTA's members that such a situation is highly unlikely to occur. In fact, INTA is not aware of any such case.

Rather, because the stakes in a TTAB case are so different, the analyses used by the TTAB and a district court are different, and parties almost never have an incentive to engage in the type of litigation in the TTAB that normally would be permitted in court. In order to avoid fact-intensive litigation over the question of preclusion in every district court case that follows a TTAB determination, INTA urges the Court to adopt a bright-line rule that TTAB findings on the likelihood of confusion ought never be given issue-preclusive effect in a federal district court proceedings.

A. The Eighth Circuit Properly Rejected Issue Preclusion in Light of the Many Differences between TTAB and Civil Court Adjudication.

The Eighth Circuit's decision in the case below focused on the first element of the collateral estoppel inquiry, *i.e.*, whether the likelihood of confusion issue considered by the

TTAB in the prior proceeding between the parties was identical to the likelihood of confusion issue before the district court. The majority was persuaded by the fact that the TTAB considers different factors than courts within the Eighth Circuit in determining whether a likelihood of confusion exists, particularly with respect to the visual and aural similarity of the marks (on which the TTAB focused) in contrast to the differences in the marketplace context of the goods actually sold. *See* 716 F.3d at 1025 (comparing *In re E.I. DuPont DeNemours & Co.*, 476 F.2d 1357, 1361 (CCPA 1973) and *SquirtCo v. Seven-Up Co.*, 628 F.2d 1086, 1091 (8th Cir. 1980)).[3] INTA agrees with that aspect of the majority's decision.

The majority, however, did not identify all the other ways in which TTAB determinations of likelihood of confusion differ from full-blown civil court determinations. When all those differences are taken in account, it is even clearer that the TTAB's administrative determination of likelihood of confusion should not be given preclusive weight when the same issue is raised in civil court proceedings.[4]

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3. Although the standard for likelihood of confusion in infringement cases itself differs between the circuits, the difference is quite minor when compared with the standard applied in TTAB proceedings. Reconciling those differences is not essential to the outcome of this case.

4. That position comports with the way courts in foreign jurisdictions have addressed analogous issues. *See, e.g.*, *Ferrero SpA v. OHIM (TiMi KiNDERJOGHURT)*, (Case T-140/08) [2009] ECR II-03941, at 34-36 ("[N]o force of res judicata attaches to a decision, even when final, handed down in opposition proceedings."); *Special Effects Ltd v. L'Oreal*, [2007] EWCA Civ 1, at 77 ("Given the nature of opposition proceedings as being,

1. The TTAB's Limited Jurisdiction Constrains Its Analysis

The TTAB, by statute, is an administrative tribunal with limited jurisdiction. It is empowered, under Section 17 of the Lanham Act solely "to determine and decide the respective rights of registration." 15 U.S.C. § 1067. As a result, the issue before the TTAB in any proceeding is limited to questions of trademark *registrability*. *See* TTAB Manual of Procedure ("TBMP") § 102.01 ("The [TTAB] is empowered to determine *only the right to register.*") (emphasis added)[5]; *see also Seculus Da Amazonia S.A. v. Toyota Jidosha*, 66 U.S.P.Q.2d 1154, 1157 n.5 (T.T.A.B. 2003) ("it is well-settled that the [TTAB] is not authorized to determine the right to use, *nor may it decide broader questions of infringement or unfair competition*") (emphasis added) (citing *Person's Co. v. Christman*, 900 F.2d 1565 (Fed. Cir. 1990)); *Blackhorse v. Pro Football, Inc.*, 98 U.S.P.Q.2d 1633, 1638 (T.T.A.B. 2011) (TTAB has no authority to determine constitutional claims).

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essentially, preliminary...and given the manner in which they are generally conducted" there is no basis for preclusion); *Alticor Inc. v. Nutravite Pharmaceuticals Inc.* (2005), 42 CPR (4th) 107 (FCA) (agreeing that no preclusion and little deference should be given to Board decision on confusion, noting that "[t]he legal system is not a stranger to different outcomes arising out of the same factual situation where different issues are at stake and different evidence is introduced").

5. The TBMP is a compilation of authority relevant to TTAB practice and procedure. Although it is frequently used as a guide to TTAB procedure and is "generally useful for litigating cases before the TTAB," it does not "modify, amend, or serve as a substitute for any statutes, rules or decisional law and is not binding." TBMP § 101.05 (quoting *Rosenruist-Gestao E Servicos LDA v. Virgin Enter. Ltd.*, 511 F.3d 437 (4th Cir. 2007)).

Civil courts, by contrast, are empowered to address questions of *infringement* (as well as trademark dilution, false advertising and unfair competition, and registrability). *See* 15 U.S.C. §§ 1114, 1119 and 1125. This difference in jurisdictional scope between TTAB and civil court proceedings means that courts and the TTAB generally address fundamentally different questions: in the civil courts, the alleged harm flows from the *use* of the mark, and in the TTAB, it flows from the *registration* of the mark. *See Mayer/Berkshire Corp. v. Berkshire Fashions, Inc.*, 424 F.3d 1229 (Fed Cir. 2005) (declining to apply issue preclusion with respect to likelihood of confusion finding in TTAB proceeding); *see also Wells Fargo & Co. v. Stagecoach Properties, Inc.*, 685 F.2d 302, 306-07 (9th Cir. 1982) ("opposition proceedings…determine only whether the applicant has the exclusive right to use of the mark and so qualifies for registration"); Anne Gilson Lalonde, GILSON ON TRADEMARKS § 9.01[2][b] (2014) (jurisdiction of federal courts is "much broader" than TTAB's; "much of the evidence relevant to infringement actions…is of little or no import to T.T.A.B. practice").

2. The Likelihood of Confusion Analysis in A TTAB Proceeding Reflects Its Limited Jurisdiction.

The TTAB's limited jurisdiction is reflected in its typical likelihood of confusion analysis. As the Eighth Circuit correctly held below, the legal issues considered by different tribunals may be different for estoppel purposes even when they share the same label. 716 F.3d at 1024–25 (citing *Jim Beam Brands Co.*, 937 F.2d at 734); *see also* 18 Wright, Miller, and Cooper, FEDERAL PRACTICE AND PROCEDURE § 4417 n.1 (2d ed. 2014) ("Proof

that the identical issue was involved [in the prior case]... is an absolute due process prerequisite to the application of collateral estoppel.") (internal quotation marks and citations omitted).

Section 2(d) of the Trademark Act provides that a registration shall not issue where the applicant's designation "[c]onsists of or comprises a mark which so resembles [another] mark, as to be likely, when used on or in connection with the goods of the applicant, to cause confusion, or to cause mistake, or to deceive...." 15 U.S.C. § 1052(d). Likewise, a registration may be cancelled when any person "believes that he is or will be damaged" as a result of the registration of the mark, providing an avenue for prior users to raise the same issue. 15 U.S.C. § 1064. Thus, the TTAB is only asked to address the likelihood of confusion question in the context of *registrability*. Registrability, in turn, depends upon whether the specific mark shown in the application should be registered for the goods/services listed in the application, or whether such registration is precluded as a result of, among other things, likely confusion with a prior registered mark.

An *inter partes* proceeding before the TTAB therefore focuses solely on whether there is a likelihood of confusion between the senior user's mark and that of the junior user based on an evaluation of the applicant's mark as depicted on paper and the goods or services set forth in the application.[6] Because the TTAB's determinations go to

6. It is true that the party asserting senior rights in a TTAB proceeding may, alternatively, challenge the allegedly junior mark based on its common-law rights derived from use of the mark in commerce. *See* 15 U.S.C. § 1052(d). Contrary to the view of the United States this situation does not create an identity

registrability, it generally does not take into account how the respective marks are actually used in the marketplace. *See Squirtco*, 697 F.2d at 1042-43 ("where the likelihood of confusion is asserted with a registered mark, the issue must be resolved on the basis of the goods named in the registration and ... on the basis of all normal and usual channels of trade and methods of distribution"); *Checkpoint Systems, Inc. v. Check Point Software Technologies, Ltd.*, 2002 WL 1181046 at *3 (T.T.A.B. May 31, 2002) ("likelihood of confusion is determined only as to the applied-for mark on the applied good, regardless of the context of actual usage").[7]

The TTAB's focus on the marks as they appear in the application, devoid of marketplace context, renders its

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of issue with an infringement action, *see* Brief for the U.S. at 14 (advocating a categorical rule in favor of preclusion in such situations because "the [TTAB] does consider the actual usage of the opposer's marks"), because the TTAB is still only deciding whether the alleged junior user has a right to *register* its mark, not whether it has a right to *use* its mark, and it is still considering the junior user's mark as presented on paper rather than in the marketplace context.

7. *See also In re New York Football Giants, Inc.*, 2014 WL 3427342 at *1 (T.T.A.B. July 3, 2014) ("While it is not unusual for an applicant to argue that...confusion is not likely because of marketplace conditions, typically such arguments fail to recognize that the TTAB is required, under applicable precedents...to analyze likelihood of confusion based on the involved identifications."); *see also* 6 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 32:101 (4th ed. 2014) ("In an opposition, likelihood of confusion is determined only as to the registrability of the applicant's mark exactly as shown in the application and only as to the goods listed, regardless of actual usage. The same rules are followed in cancellation proceedings.").

determination of likelihood of confusion fundamentally different than that of a civil court, despite the surface similarity of the *DuPont* factors and the Eighth Circuit's *SquirtCo* factors.[8]

In civil trademark litigation, in contrast, likelihood of confusion is an element of a substantive *infringement* claim. 15 U.S.C. § 1114(1)(a) (authorizing civil action against any person who uses a copy or imitation of a registered mark the use of which is "likely to cause confusion, or to cause mistake, or to deceive"). Thus, a district court infringement action has a much broader scope, in that its aim is to determine whether the allegedly junior user's *actual use* of the mark is likely to cause confusion.

Because the parties' actual use is at issue, the likelihood of confusion inquiry requires the district court to consider the full market context in assessing likelihood of confusion, including the parties' respective packaging and advertising, the locations where their goods and services are offered, the sophistication of consumers, the use of any house marks, the extent to which the marks

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8. Beyond the differences in policy described below, practitioners have noted that the TTAB's focus is different in many ways from civil courts handling similar disputes, all of which make TTAB decisions poorly suited to preclusive effect on later civil litigations. *See* Remarks of David W. Ehrlich, *Trademark Prosecution in the Patent and Trademark Office and Litigation in the Trademark Trial and Appeal Board*, 8 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 451, 474-82 (1998) (noting several differences in how the TTAB addresses likelihood of confusion issues, including greater tendency to favor toward owners of prior rights against challengers and skepticism toward the idea that third-party use reduces the strength of registered marks).

coexist with other similar marks, and the existence or lack thereof of actual confusion. *See Reno Air Racing Ass'n, Inc. v. McCord*, 452 F.3d 1126, 1136 (9th Cir. 2006) ("[T]he legal question is not whether the marks look similar to us but whether they look similar to ordinary consumers."); *Sports Authority, Inc. v. Prime Hospitality Corp.*, 89 F.3d 955, 962 (2d Cir. 1996) ("In deciding whether the marks are similar as used, we do not look just at the typewritten and aural similarity of the marks, but how they are used in the marketplace."); *Calvin Klein Cosmetics Corp. v. Lenox Laboratories, Inc.*, 815 F.2d 500, 504 (8th Cir. 1987) ("[C]aution should be exercised to avoid putting too much stock in subjective inspection done in-chambers that is devoid of market characteristics."); *Kate Spade LLC v. Saturdays Surf LLC*, 950 F. Supp. 2d 639, 644 (S.D.N.Y. 2013) (fact that the field of marks containing the word SATURDAY was crowded reduces the strength of the mark SATURDAY SURF NYC and makes confusion unlikely by mark KATE SPADE SATURDAY).[9]

In TTAB proceedings, the marks are compared based entirely on how they are described in the application or registration sought to be canceled. Factors that may well distinguish the products when they are encountered in the real world – such as house marks, the logo design in

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9. *See also* 4 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition §§ 23:2.50, 23:58 (4th ed. 2014) ("To arrive at a realistic evaluation of the likelihood of buyer confusion, the court must attempt to recreate the conditions under which prospective purchasers make their choices."); Anne Gilson Lalonde, Gilson on Trademarks § 5.03[2][a] (2014) ("Although courts may examine marks' appearance, sound and meaning separately, they emphasize the overall impression the mark gives in the marketplace.").

which a mark is presented, or unique trade dress – are not taken into consideration and, in fact, are deliberately disregarded. *See In re New York Football Giants*, 2014 WL 3427342, at *8 ("No consideration may be given to allegedly distinguishing features which are not part of the mark sought to be registered."); *see also Kimberly Clark Corp. v. H. Douglas Enters., Ltd.*, 774 F.2d 1144, 1147 (Fed Cir. 1985) (in denying registration, not considering trade dress differences between the marks because the application was only for the word mark). *Cf. CareFirst of Maryland, Inc. v. First Care, P.C.*, 434 F.3d 263, 271 (4th Cir. 2006) (confusion unlikely because mark was always paired or presented with other material that "will serve to lessen any confusion that might otherwise be caused by the textual similarity"); *Nabisco, Inc. v. Warner-Lambert, Co.*, 220 F.3d 43, 46 (2d Cir. 2000) (defendant's "prominent use of its well-known house brand…significantly reduces, if not altogether eliminates, the likelihood that consumers will be confused"); *Barbecue Marx, Inc. v. Ogeden*, 235 F.3d 1041, 1044 (7th Cir. 2000) (although the marks "SMOKE DADDY" and "BONE DADDY" were similar, the presence of highly distinct nearby logos distinguished them).

In making its determination on confusion, the TTAB also assumes that, unless the channels of trade are limited in the application, all of the goods move in all channels of trade normal for those goods. *See Kangol Ltd. v. Kangaroos USA, Inc.*, 974 F.2d 161, 164 (Fed. Cir. 1992) (where application does not explicitly specify the channels to be considered, "likelihood of confusion is resolved by considering the 'normal and usual channels of trade and method of distribution'"); *CBS Inc. v. Morrow*, 708 F.2d 1579, 1581 (Fed. Cir. 1983) ("in the absence of

specific limitations in the registration, [confusion must be decided] on the basis of all normal and usual channels of trade and methods of distribution"); *Squirtco v. Tomy Corp.*, 697 F.2d 1038, 1042-43 (Fed. Cir. 1983); *In re New York Football Giants, Inc.*, 2014 WL 3427342 at *1 (T.T.A.B. July 3, 2014). Courts, by contrast, require real-world evidence establishing the channels of trade through which the parties' goods or services actually travel, and differences in those channels of trade may be significant in the assessment of whether confusion is likely. *See e.g.*, *Leelanau Wine Cellars, Ltd. v. Black & Red, Inc.*, 502 F.3d 504, 516 (6th Cir. 2007) (where defendant primarily sold its wines through its tasting rooms and plaintiff primarily sold through large retail stores, there existed "very limited overlap" in channels of trade); *M2 Software, Inc. v. Madacy Entm't*, 421 F.3d 1073, 1084 (9th Cir. 2005) (where one product is promoted in specialty music publications and not sold in stores, channels of trade factor tilts against confusion, although both products could be bought on Amazon.com); *Paul Sachs Originals Co. v. Sachs*, 325 F.2d 212, 215 (9th Cir. 1963) (where girls' dresses and women's dresses were sold in different stores to different customers, "[t]he evidence is ample to support the finding that the goods of the parties do not sell in the same markets"); *Sunenblick v. Harrell*, 895 F. Supp. 616, 629 (S.D.N.Y. 1995), (recordings of obscure jazz musicians are in different channel of trade than large scale rap recordings).

The TTAB further presumes, in the absence of any restriction in the application itself, that the purchasers of the goods at issue include all of those that ordinarily would purchase that broad class of goods, regardless of differences in price of quality. *See Canadian Imperial*

Bank v. Wells Fargo Bank, 811 F.2d 1490, 1496 (Fed. Cir. 1992) ("The authority is legion that the question of registrability...must be determined on the basis of the identification of goods set forth in the application *regardless of what the record may reveal* as to...the particular channels of trade or the class of purchasers to which sales of the goods are directed.") (emphasis added). Courts, on the other hand, evaluate the consumers of the parties' respective goods or services based on evidence as to who actually purchases or consumes them in the real world. *Compare In re Bercut-Vandervoort & Co.*, 229 U.S.P.Q. 763, 764 (T.T.A.B. 1986) (because application lacked any restriction of the customers to "extremely sophisticated wine connoisseurs," likelihood of confusion analysis should incorporate all wine consumers); *In re New York Football Giants, Inc.*, 2014 WL 3427342 at *10 (T.T.A.B. July 3, 2014) (because application did not limit consumers "we must presume that the t-shirts and tank tops of both Applicant and Registrant would be sold to all classes of [] consumers"); *with Continental Plastic Containers v. Owens Brockway Plastic Products, Inc.*, 141 F.3d 1073, 1080-81 (Fed. Cir. 1998) (rejecting argument that consumer base should be retail consumer of bottled beverage, rather than wholesale purchaser of empty bottles; inquiry is about determining the "consumers in the market for the particular product at issue") (quoting *Dorr-Oliver, Inc. v. Fluid-Quip, Inc.*, 94 F.3d 376, 382 (7th Cir. 1996)); *Perini Corp. v. Perini Construction, Inc.*, 915 F.2d 121, 127-28 (4th Cir. 1990) (discounting likelihood of confusion because typical consumer is "most likely a highly trained procurement professional whose sensitivity is heightened by the responsibility of sensibly spending millions of dollars"); *Oreck Corp. v. U.S. Floor Systems, Inc.*, 803 F.2d 166, 173 (5th Cir. 1986) ("[P]ersons [that]

are buying for professional and institutional purposes at a cost in the thousands of dollars...are virtually certain to be informed, deliberative buyers").[10]

In sum, although it is true that some of the *DuPont* factors involve matters of marketplace context, these factors typically have no import in TTAB proceedings. Because of both legal mandate and long custom, the TTAB relies on the information in the application and eschews factual reality. Thus, its analysis of likelihood of confusion is simply not the same as in a district court.[11]

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10. The extent to which the TTAB's analysis is divorced from marketplace context is demonstrated by the fact that the TTAB has the ability to cancel a registration based on likelihood of confusion where there is no use of the challenged mark in the United States. *Cf. Bayer Consumer Care AG v. Belmora LLC*, 110 U.S.P.Q. 2d 1623 (T.T.A.B. 2014) (cancelling registration as in violation of Section 14(3) of the Trademark Act for misrepresenting the source of the goods by suggesting they were petitioner's Mexican product, which was not sold in the US); *Fiat Group Automobiles S.p.A. v. ISM, Inc.*, 94 U.S.P.Q. 2d 1111 (T.T.A.B. 2010) (permitting foreign trademark owner who had filed ITU application to support a dilution claim in opposition based on the use of the mark abroad).

11. A district court's analysis of likelihood of confusion, however, should generally preclude relitigation of that issue in TTAB proceedings (assuming the criteria for issue preclusion are met). Because a court's determination of likely confusion in an infringement context is usually based on the full marketplace context of the marks, preclusion does not raise the same issues as are raised by the case at hand. In other words, once a court determines that a mark is likely to cause confusion, any remaining dispute as to registrability becomes moot. It is clear that an actually-infringing mark should not be registered, which is why Congress empowered federal courts to determine registrability in an infringement proceeding. 15 U.S.C. § 1119.

B. TTAB Inter Partes Proceedings Do Not Afford Registrants A Full And Fair Opportunity To Litigate Likelihood Of Confusion.

The decision below and the briefing by the parties and the United States focused almost exclusively on whether a TTAB proceeding and a district court infringement action decide the same issue. But important procedural differences in the way in which TTAB and court proceedings are litigated directly impact the question of whether the parties had a full and fair opportunity to litigate the question of whether confusion is likely. Because TTAB proceedings do not afford the same procedural opportunities, it is almost never the case that a TTAB proceeding on the question of confusion affords that full and fair opportunity.

1. TTAB Procedures Do Not Afford a "Full and Fair" Opportunity to Litigate.

The contours of the "full and fair opportunity" requirement as a matter of procedure in agency proceedings have not been deeply explored by the courts. Wright & Miller, however, identifies the procedural shortcomings of specialized tribunals as a significant exception to issue preclusion, noting that "[t]he impact of deliberate limitations designed to expedite a special class of cases or to provide inexpensive but accessible justice for small cases is reflected in a wide array of settings." Wright & Miller § 4423 n.4 (citing analogous examples including probable cause hearing, summary landlord-tenant dispossession proceeding, and other proceedings "designed to adjudicate promptly a narrow issue of law and to grant a narrow remedy").

The limited nature of discovery and fact-finding in a TTAB proceeding suggest precisely the kind of "deliberate limitations" that Wright & Miller describe. *See Kappos v. Hyatt*, 132 S. Ct. 1690, 1696 (2012) ("The PTO, no matter how great its authority or expertise, cannot account for evidence that it has never seen."). Discovery in TTAB proceedings – particularly electronic discovery – is substantially narrower than in civil litigation. *See* TBMP at §§ 402.01, 402.02 (noting that, "in view of the [TTAB's] limited jurisdiction, the narrowness of the issues to be decided by the [TTAB], and the concerns existing with respect to excessive e-discovery, the burden and expense of e-discovery will weigh heavily against requiring production in most cases"); *see also Frito-Lay North Am., Inc. v. Princeton Vanguard LLC*, 100 U.S.P.Q.2d 1904 (T.T.A.B. 2011) (denying request for e-discovery, citing TTAB's limited jurisdiction and concerns of burden; movant was seeking "broad, expansive ESI collection, review and production similar to or repetitive of discovery it conducts in federal court actions"); *Gen. Mills, Inc. v. Fage Dairy Processing Indus. S.A.*, 100 U.S.P.Q.2d 1584 (T.T.A.B. Sept. 14, 2011) ("This is not the first time the [TTAB] has expressed its displeasure about overzealous litigation in our proceedings."). These limitations on discovery, while perhaps appropriate for registration disputes and proceedings that are meant to be more efficient than court litigation, prevent the evaluation of the complicated factual issues that typically arise in considering the likelihood that two marks will be confused in the marketplace.

Another significant difference in TTAB and court practice relates to the use of consumer perception surveys. These are perhaps the most effective way to assess

whether consumers are actually likely to be confused by a trademark. Although not required in civil actions, survey evidence on likelihood of confusion is frequently a central element in such cases. The absence of such evidence is often noted and criticized by courts. *See, e.g., Star Indus., Inc. v. Bacardi & Co. Ltd.*, 412 F.3d 373, 388 (2d Cir. 2005) (Star's "failure to present its own customer survey weigh[ed] against a finding of customer confusion"). Because TTAB cases have less at stake and are typically litigated with lower budgets, survey evidence is not often used in proceedings before the TTAB. *See Midwestern Pet Foods, Inc. v. Societe des Produits Nestle S.A.*, 685 F.3d 1046, 1054 (Fed. Cir. 2012) (collecting cases).

When the TTAB does consider survey evidence, it limits the scope of the survey in ways that fundamentally differ from trademark surveys in civil court. In TTAB proceedings involving a plain word mark, the mark must be shown to respondents typed on a white card against a plain background—which epitomizes the TTAB's focus on the application for registration apart from the reality of the marketplace. *See, e.g., Meier's Wine Cellars, Inc. v. Meyer Intel. Props. Ltd.*, 2008 TTAB LEXIS 678 (T.T.A.B. 2008) (noting as flawed a survey which showed entire wine bottle, including full label, rather than just the mark, stating that the TTAB "has held that surveys... which embellish the stimulus with features that are not directly involved in the determination of likelihood of confusion, have limited probative value") (citing *Carl Karcher Enterprises Inc. v. Stars Restaurants Corp.*, 35 U.S.P.Q. 2d 1125, 1132 n.19 (T.T.A.B. 1995); *Marshall Field & Co. v. Mrs. Field's Cookies*, 25 U.S.P.Q. 2d 1321, 1334 (T.T.A.B. 1992)). This is the opposite of the proper survey methodology required by courts. There, the

emphasis always is on a survey design that replicates, to the extent feasible, marketplace conditions. In fact, the failure to replicate marketplace conditions is routinely held to be a reason either to exclude a survey altogether under *Daubert* or to accord it minimal weight. *See, e.g.*, *THOIP v. Walt Disney Co.*, 690 F. Supp. 2d 218, 231 (S.D.N.Y. 2010) ("[T]he closer the survey methods mirror the situation in which the ordinary person would encounter the trademark, the greater the evidentiary weight of the survey results.") (quoting 6 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition §§ 32:163 (4th ed. 2014)); *see also American Footwear Corp. v. General Footwear Co. Ltd.*, 609 F.2d 655, 660 n.4 (2d Cir.1979) (agreeing with district court that failure to replicate marketplace conditions was a "methodological defect"); *Pharmacia Corp. v. Alcon Laboratires, Inc.*, 201 F. Supp. 2d 335, 378 (D.N.J. 2002) ("Because the Court must assess confusion based on a well-defined set of factors intended to measure what is likely to happen in the real world...[the offered model] lacks significant probative value for the purposes for which it is offered.").

Another procedural difference is that the TTAB decides its cases upon an entirely written record. There is no live testimony before the trier of fact. TBMP § 102.03 ("The principal difference [between the TTAB and a District Court] is that proceedings before the [TTAB] are conducted in writing, and the [TTAB's] actions in a particular case are based upon the written record therein."). *See also id.* at § 502.03 (oral argument by counsel permitted only by order of the TTAB). This severely limits the TTAB's ability to evaluate the credibility of witnesses and limits the engagement between the judge and the parties.

For the same reasons, the view of the United States in this case is incomplete. The rule urged by the United States would require district courts to examine the basis for the likelihood of confusion finding in the TTAB and before the district court (*i.e.*, whether the inquiry focused on the actual use or scope of registration of each party in each tribunal), and to give preclusive effect to the TTAB's finding when the latter is the same as, or a subset of, the former. What this formulation overlooks, however, is that a challenged application or registration in a TTAB proceeding will almost *never* examine the alleged junior user's actual use in the same manner as would the district court. In nearly all cases, the context in which the question is presented in each tribunal will render the issues too different to provide an adequate basis for preclusion.

Were this Court to adopt the United States' position, there would be a substantial negative effect on the now-straightforward administrative proceedings before the TTAB. In order to preserve their position in future civil litigation, parties would likely try to introduce all of the evidence that would normally be considered by a court, and ask the TTAB to assess not only the registrability of the mark but also the prospects for confusion when the mark is used in the marketplace. Not only would this result run counter to decades of TTAB practice and procedure, but it also would risk turning TTAB proceedings – which are meant to be efficient and relatively inexpensive – into full-blown court-like battles (and it is not at all clear that the TTAB would countenance that result). Likewise, district courts would frequently be required to engage in detailed preclusion analyses. This Court should prevent these results by recognizing that, given the different issues posed in TTAB and court proceedings, preclusion

should never apply to determinations on the likelihood of confusion.

2. The Remedies Available In TTAB *Inter Partes* Proceedings Do Not Incentivize Parties To Litigate Robustly.

Because the TTAB does not have the power to enjoin a party's *use* of its mark, and because challengers may be willing to live with a conflicting registration pending a determination of whether the mark is actually causing confusion in the marketplace, both parties' incentives to litigate before the TTAB are vastly diminished as compared to the incentive to litigate aggressively in district court. The TTAB cannot, but a district court can, prevent the use of a mark or award damages and attorneys' fees.

This Court has long recognized that a mismatch in remedies, and thus a difference in incentives between two proceedings, is a reason to allow relitigation of an issue. *See, e.g., Parklane Hosiery Co., Inc. v. Shore*, 439 U.S. 322, 330 (1979) (recognizing that collateral estoppel "may be unfair" to a defendant where "in the first action [defendant] is sued for small or nominal damages... particularly if future suits are not foreseeable"); *see also* Robert L. Haig, BUSINESS AND COMMERCIAL LITIGATION IN FEDERAL COURTS § 6:13 (discussing importance of estimation of relief available to determine the proper approach to the case). In other words, as commentators have noted in discussing issue preclusion generally, "[i]f there was good reason not to contest an issue vigorously in the first action, and a party did not in fact contest it vigorously, relitigation generally should be allowed."

Wright & Miller § 4423 n.17 (citing *Maciel v. C.I.R.*, 489 F.3d 1018, 1023-1026 (9th Cir. 2007) (holding that issue preclusion should not extend from criminal sentencing to civil litigation against the government)). Moreover, the possibility that a TTAB proceeding would have preclusive effect would eliminate an important avenue for the resolution of disputes concerning registrability. As Wright & Miller observe, "[p]reclusion also may be unwise, for fear that anticipation of preclusion will augment the stakes and the cost of the first litigation." *Id.*

The TTAB's remedial power is starkly limited in comparison to the power of a district court in an infringement action. Most importantly, the TTAB lacks the power to enjoin the use of a mark—all it can do is to deny or cancel a federal registration. *Compare* 5 U.S.C. § 1116 (providing for injunctive relief for successful civil action under the Lanham Act) *with id.* §§ 1063 and 1064 (providing for *inter partes* opposition or cancellation of registration); *see also* 15 U.S.C. §1117 (successful civil litigants under the Lanham Act may obtain profits, damages and attorney's fees). Moreover, the cancellation or denial of registration by the TTAB does not deny the trademark owner's ability to enforce its use-based rights; as this Court has long recognized, the Lanham Act provides unregistered users of protectable marks to enjoin confusing use or seek damages. *See, e.g., Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992) (affirming award of damages where competitor infringed unregistered trade dress).

For these reasons—which independently bolster the conclusion that preclusion is inappropriate where the TTAB has not decided the same issue—the TTAB will

almost never have provided the litigants in a subsequent infringement action with a full and fair opportunity to dispute the issue of likelihood of confusion.[12]

IV. TTAB FINDINGS GENERALLY SHOULD NOT BE GIVEN DEFERENCE BY DISTRICT COURTS.

Petitioner also argues that the Eighth Circuit erred by refusing to accord deference to the TTAB's likelihood-of-confusion finding. *See* 716 F.3d at 1026. INTA believes that deference should be given only in limited circumstances.

The case upon which Petitioner primarily relies involved the somewhat analogous setting of a district court appeal under 15 U.S.C. § 1071(b)(1), which affords losing TTAB litigants the opportunity for *de novo* review in Article III trial court (as opposed to the parallel TTAB

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12. INTA acknowledges that it is theoretically possible for two parties to agree to litigate a case before the TTAB in a matter that is as fulsome as court litigation. *Cf. Special Effects Ltd v L'Oreal* [2007] EWCA Civ 1, at 77 ("We could imagine the possibility that, if issues had been fought in that way in the Registry on an opposition, it might then be properly regarded as an abuse to fight the same issues again in court."). Even in those cases – which INTA and its members' represent are extremely rare – the TTAB's consideration of the evidence will be limited and the TTAB judges will still not have the opportunity to hear live testimony, ask clarifying questions of the witnesses, and assess credibility. Thus, INTA submits that this still would not be a "fair opportunity" given the different procedural mechanisms available in court. Moreover, if this Court were to find that preclusion might apply in such rare cases, it would likely have the effect of making such cases more common, rather than rarer, which would have a highly negative impact on the efficiency, speed and cost of TTAB proceedings.

and infringement proceedings at issue in this case). *See, e.g.*, *American Heritage Life Ins. Co. v. Heritage Life Ins. Co.*, 494 F.2d 3, 10 (5th Cir. 1974) (affirming district court's rejection of TTAB finding that mark in suit was inherently distinctive). *See also Board of Regents v. Phoenix Intern.*, 630 F.3d 570, 574 (7th Cir. 2010) (acknowledging "tension" between APA's "substantial evidence" deference and the parties' opportunity to present new evidence in a § 1071(b) proceeding); *Aktieselskabet AF 21. November 2001 v. Fame Jeans*, 525 F.3d 8, 12 (D.C. Cir. 2008) ("Although a district court owes a certain degree of deference to the TTAB's findings of fact, both parties may introduce new evidence in a § 21(b) action.")

Based on this analogy, the Fifth Circuit in *American Heritage* articulated a standard of deference that requires acceptance of TTAB findings by district courts "unless the contrary is established by evidence which carries thorough conviction." *American Heritage*, 494 F.2d at 10. The court did not elaborate on this standard, but affirmed the district court's rejection of the TTAB's finding on inherent distinctiveness as not clearly erroneous. *Id.* at 11; *see also Freedom Sav. & Loan Ass'n v. Way*, 757 F.2d 1176, 1181–82 (11th Cir. 1985) (affirming district court's rejection of TTAB fact-finding under the same standard because it had given "most respectful consideration" to the TTAB's findings); *see also Miguel Torres S.A. v. Cantine Mezzacoronoa, S.C.A.R.L.*, 108 Fed. Appx. 816, 820 (4th Cir. 2008) (calling TTAB factual determinations "powerful *evidence* of the presence (or lack thereof) of one or more of the factors" in the likelihood-of-confusion inquiry).

Apart from *American Heritage*, there is little guidance in the caselaw as to the amount of deference

to be given to TTAB findings in subsequent district court litigation. The United States posits that, where the issues are not identical, no deference should be given. Brief for the U.S. at 17. This position has some logical appeal for the same policy reasons as those underlying the test for applying collateral estoppel. As stated above, the likelihood of confusion will rarely, if ever, qualify for deference or estoppel because of the differences in the issue as framed in the respective proceedings. However, where an issue is identical, this position would suggest that some limited degree of deference may be appropriate, notwithstanding the differences in the proceedings.

However, this Court's recent decision in *Kappos v. Hyatt* suggests neither *American Heritage*'s "thorough conviction" nor the Administrative Procedure Act's "substantial evidence" standards should apply to TTAB findings in a subsequent district court infringement action, at least where new evidence is introduced, even where the issues are identical. *Hyatt* involved an appeal of a determination of patentability to the district court from the Board of Patent Appeals pursuant to 35 U.S.C. § 145. *Hyatt*, 132 S. Ct. at 1693-94. Under the statute, the applicant could introduce new evidence bearing on patentability in the district court. *Id.* at 1694. The question presented to the Court was whether and how the "substantial evidence" standard announced in *Zurko* applied in a Section 145 proceeding when new evidence was introduced. *Id.* at 1694-95. The Court concluded that no deference was due to the PTO fact findings where additional contradictory evidence was introduced, noting that "the PTO, no matter how great its authority or expertise, cannot account for evidence that it has never seen." *Id.* at 1696. The proper means for according respect to the PTO findings was "through the court's broad

discretion over the weight to be given to evidence newly adduced in the § 145 proceedings." *Id.* at 1701.

Though made in the context of a direct appeal and one where the inquiries made by the PTO and the district court are identical, the Court's observations in *Hyatt* nonetheless shed some light on the question of deference in the current proceedings. First, where new facts are presented to the district court relevant to a particular issue, it is clear that no deference is warranted to the TTAB's analysis of different facts bearing on that issue. Second, the relative weight to be accorded to the TTAB factual analysis is a matter committed to the discretion of the district court.

Logically, where the TTAB and district court are faced with the identical factual issue, a district court should consider the following in assessing the level of deference, if any, to which the TTAB's finding is entitled: (1) the quantum and quality of pertinent evidence presented to the Board; (2) the quantum and quality of pertinent evidence presented to the court; (3) the extent to which the evidence presented to the Board is consistent with the evidence presented to the court; (4) the quality and depth of the Board's analysis of the issue; and (5) whether the passage of time or other changes in circumstances since the Board's decision render the Board's finding less persuasive. Where substantial new evidence is presented to the court or the new evidence contradicts the evidence before the Board, no deference should be accorded the Board finding.

The considerations of whether to apply collateral estoppel are also relevant here, including whether the TTAB finding was necessary to its ultimate decision and

whether the party opposing deference had a full and fair opportunity to litigate the issue before the Board, due to procedural differences or otherwise. For example as to the latter, a Board determination on the issue of intent may be undermined by the lack of live testimony before the Board. Moreover, for the same reason that an estoppel should not lie, the substantial differences between the Board and court proceedings in the stakes involved will often dictate that no deference be given either.

CONCLUSION

For the foregoing reasons, INTA urges this Court to rule that: (1) TTAB determinations on the likelihood of confusion do ***not*** have preclusive effect in subsequent civil court proceedings; and (2) district courts should determine, on a case-by-case basis, whether, and to what extent, TTAB's determinations should be afforded deference, but such deference should be limited to fact issues that were identical and fully litigated and should not prevent a party from offering other evidence and arguments that may nevertheless compel a different result.

Respectfully submitted,

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AMICUS CURIAE BRIEF

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B&B HARDWARE, INC.,

Petitioner,

v.

HARGIS INDUSTRIES, INC.,
D/B/A SEALTITE BUILDING FASTENERS,
D/B/A EAST TEXAS FASTENERS, *et al.*,

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE EIGHTH CIRCUIT

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INTEREST OF *AMICUS CURIAE*

The New York Intellectual Property Law Association ("NYIPLA" or "Association") respectfully submits this *amicus curiae* brief in support of Respondents, Hargis Industries, Inc., d/b/a Sealtite Building Fasteners, d/b/a East Texas Fasteners, *et al.* ("Respondents").[1]

The arguments set forth herein were approved on October 16, 2014 by an absolute majority of the officers and members of the Board of Directors of the NYIPLA, including any officers or directors who did not vote for any reason, including recusal, but do not necessarily reflect the views of a majority of the members of the Association, or of the law or corporate firms with which those members are associated. After reasonable investigation, the NYIPLA believes that no officer or director or member of the Committee on *Amicus* Briefs who voted in favor of filing this brief, nor any attorney associated with any such officer, director or committee member in any law or corporate firm, represents a party in this litigation. Some officers, directors, committee members or associated attorneys may represent entities, including other *amici curiae*, which have an interest in other matters that may be affected by the outcome of this litigation.

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1. Respondents consented to the filing of *amicus curiae* briefs in support of either party or neither party in a docket entry dated August 15, 2014, and Petitioner consented to the filing of *amicus curiae* briefs in support of either party or neither party in separate docket entry dated September 3, 2014. Pursuant to Sup. Ct. R. 37.6, no counsel for a party authored this brief in whole or in part, and no counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than the NYIPLA, its members, or its counsel made a monetary contribution to its preparation or submission.

The NYIPLA is a professional association of approximately 1,300 attorneys whose interests and practices lie in the area of patent, trademark, copyright, trade secret and other intellectual property law. The Association's members are frequent participants in federal litigations and in administrative proceedings before the United States Patent and Trademark Office ("PTO") and the Trademark Trial and Appeal Board ("TTAB") with respect to trademark claims brought under the Trademark Act of 1946 (the "Lanham Act"), 15 U.S.C. §§ 1051 *et seq.*, state law and common law, and therefore are interested in the development of clear, consistent, and equitable principles of trademark law.

The NYIPLA's members and their respective clients have a strong interest in this case because it will provide settled expectations with respect to the preclusive effect a TTAB decision will have in a later litigation. Because NYIPLA's members regularly practice before both the TTAB and district courts in trademark disputes, and because their preparation for trial in TTAB proceedings and trademark infringement litigations depends on knowing the effect one will have on the other, NYIPLA members and their clients have a particularly strong interest in clarifying the controlling law at issue in this case.

SUMMARY OF ARGUMENT

NYIPLA urges the Court not to apply issue preclusion as a matter of law in district court cases involving allegations of infringement caused by use of a trademark that has been the subject of a final determination by the TTAB concerning that mark's registrability. In

NYIPLA's experience, the issues presented in and the focus of a federal trademark registration proceeding are fundamentally different than in an infringement action, and issue preclusion should not apply as a matter of course. Instead, if the record demonstrates that the TTAB fairly considered the context of the marketplace in a meaningful way when it determined whether a mark meets the statutory requirements for registration on the Principal Register, then it may be appropriate for a district court to afford minimal evidentiary weight to the decision on the narrow issue of entitlement to registration.

BACKGROUND

Prior to commencing the instant litigation, Petitioner B&B Hardware, Inc. ("B&B") commenced a proceeding in the TTAB opposing an application filed by Respondents Hargis Industries, Inc. that sought to register the mark SEALTITE for self-drilling and self-tapping metal screws commonly used in the construction of metal buildings. While the TTAB proceedings were pending, Petitioner brought a trademark infringement action against the Respondents in the United States District Court for the Eastern District of Arkansas.[2] Petitioner alleged that Respondents' use of SEALTITE in connection with its fastener products infringed Petitioner's use of SEALTIGHT in connection with purportedly related goods.

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2. Petitioner's action was initially dismissed by the district court on collateral estoppel grounds because of an earlier filed litigation between the parties. The United States Court of Appeals for the Eighth Circuit reversed that holding. *B&B Hardware, Inc. v. Hargis Indus.*, 569 F.3d 383 (8th Cir. 2009), *cert. denied*, 558 U.S. 1113 (2010).

The TTAB ultimately sustained Petitioner's opposition, finding that Respondents' SEALTITE mark was likely to cause confusion with the prior SEALTIGHT mark for metal fasteners and screws used by Respondents in the aerospace industry. Petitioner then urged the district court that the TTAB's likelihood of confusion determination should be given preclusive effect or deference, which the district court rejected. The jury subsequently returned a verdict in favor of Respondents, finding that Respondents' use of the SEALTITE mark was not likely to cause confusion.

The district court also rejected Petitioner's request for a new trial on preclusion grounds. The Eighth Circuit affirmed the district court's decision.

ARGUMENT

I. A TTAB DECISION SHOULD NOT BE ENTITLED TO PRECLUSIVE EFFECT AS A MATTER OF COURSE

The doctrine of issue preclusion seeks to "protect against 'the expense and vexation attending multiple lawsuits, conserv[e] judicial resources, and foste[r] reliance on judicial action by minimizing the possibility of inconsistent decisions." *Taylor v. Sturgell*, 553 U.S. 880, 892 (2008) (quoting *Montana v. United States*, 440 U.S. 147, 153-154 (1979)). For issue preclusion to apply, the following four *Montana* factors must be met:

> (1) the issues in both proceedings must be identical,

> (2) the issue in the prior proceeding must have been actually litigated and actually decided,
>
> (3) there must have been a full and fair opportunity for litigation in the prior proceeding, and
>
> (4) the issue previously litigated must have been necessary to support a valid and final judgment on the merits.

Id. Because, as a practical matter, the first factor is not generally met, issue preclusion on the likelihood of confusion should not automatically apply any time a former TTAB party seeks relief in federal court regarding use of the same marks that were involved in a registration dispute before the TTAB. Likewise, the third factor is also not usually met because of the TTAB's historical practice of not considering the same scope of discovery as that presented in a federal litigation.

A. The First *Montana* Factor Is Not Met Because the Standards for Assessing "Likelihood of Confusion" Are Different

At its heart, the inquiry and the determination made by the TTAB in a registration opposition or cancellation proceeding, while related, are not identical to the inquiry and determination made by a district court in an infringement action.

The sole function of the TTAB is "to determine and decide the respective rights of registration." 15 U.S.C.

§ 1067. The TTAB only determines whether a mark is entitled to registration, not "broader questions of infringement and unfair competition." TTAB Manual of Examining Procedure § 102.01 (3d ed. 2011) ("The Board is empowered to determine only the right to register. The Board is not authorized to determine the right to use, nor may it decide broader questions of infringement or unfair competition."); *see also Skookum Packers' Ass'n v. Pacific Nw. Canning Co.*, 45 F.2d 912, 915 (C.C.P.A. 1930), *cert. denied*, 283 U.S. 858 (1931) (noting that the court's decision to deny applicant's registration application "is based wholly upon the question of the right to register, and not the right of appellee to use its mark").

In contrast, a district court is empowered to address both registrability and infringement. *See* 15 U.S.C. §§ 1114 and 1125. The central differences in focus and function between the TTAB and the courts affect the standards that they each apply to assess whether a mark is entitled to registration and whether it infringes or may be used. *See Harry Winston, Inc. v. Bruce Winston Gem Corp.*, 111 U.S.P.Q.2d 1419, 1445 (T.T.A.B. July 9, 2014) (admissions in litigation are not relevant to a TTAB opposition proceeding because the "registration requested in the application is not limited to the types of commercial activities that applicant was engaged in at the time of trial"). The TTAB concentrates on the four corners of the application because its focus is on registrability. *Octocom Sys. Inc. v. Houston Computer Servs.*, 918 F.2d 937, 942 (Fed. Cir. 1990) ("[T]he question of registrability of an applicant's mark must be decided on the basis of the identification of goods set forth in the application regardless of what the record may reveal as to the particular nature of an applicant's goods, the particular channels of trade or the class of purchasers to which sales of the goods are directed.")

Because the emphasis is on the identified goods and services in the application/registration, the TTAB often expressly rejects consideration of marketplace realities and the parties' use of their respective marks. *See Stone Lion Capital Partners, L.P. v. Lion Capital LLP*, 746 F.3d 1317 (Fed. Cir. 2014) (sustaining opposition and limiting evidentiary review to services identified in the application rather than a consideration of actual use by the applicant); *Coach Servs., Inc. v. Triumph Learning* LLC, 96 U.S.P.Q.2d 1600, 1608 (T.T.A.B. Sept. 17, 2010) (refusing to consider evidence of use of the mark on goods that were not identified in the application and instead presuming scope of goods and channels of trade based on the identified goods in the application); *Lacoste Alligator S.A. v. Maxoly, Inc.*, 91 U.S.P.Q.2d 1594, 1598 (T.T.A.B. July 31, 2009) (rejecting applicant's argument that clothing is intended for a particular community noting that "the question of likelihood of confusion must be determined on the basis of the goods set forth in the application and opposer's registration, rather than on what any evidence may show those goods to be"); *Tea Board of India v. Republic of Tea, Inc.*, 80 U.S.P.Q.2d 1881, 1897 (T.T.A.B. Aug. 23, 2006) ("Because the goods are identical and there are no restrictions in the identification of goods, the channels of trade as well as the purchasers for such goods are deemed identical. It is not significant, either in law or fact, that the channels of trade for opposer's certified tea may actually be broader than applicant's channels of trade.").

In *Stone Lion Capital*, the Federal Circuit affirmed the TTAB's decision to only consider the broad scope of the services recited in the application instead of the parties' actual investment practices. 746 F.3d at 1323-24. The

court held that the latter assessment "would be improper because the services recited in the application determine the scope of the post-grant benefit of registration." *Id.* at 1324. This notion is especially true when the application is based upon an intent-to-use, because if a party chooses to broadly define its goods and services, that description will guide the TTAB regardless of whether the actual services rendered are narrower. *Id.*

Even though the TTAB and a court may be evaluating what seem to be similar factors, their approaches and analyses involve distinct perspectives and the consideration of vastly different evidence. *Jim Beam Brands Co. v. Beamish & Crawford, Ltd.*, 937 F.2d 729, 734 (2d Cir. 1991), *cert. denied*, 502 U.S. 1094 (1992) (refusing to apply collateral estoppel in a litigation subsequent to a cancellation proceeding because "the factual frame of reference used by the adjudicating body is different"). For example, in assessing whether marks are similar in sight, sound, meaning and commercial impression, if the drawing for at least one of the marks is in standard character form, the TTAB will compare the marks visually and phonetically without regard to the intended stylization. *See, e.g., Cunningham v. Laser Golf Corp.*, 222 F.3d 943, 950 (Fed. Cir. 2000) ("Registrations with typed drawings are not limited to any particular rendition of the mark and, in particular, are not limited to the mark as it is used in commerce."); *Squirtco v. Tomy Corp.*, 697 F.2d 1038, 1041 (Fed. Cir. 1983) (rejecting argument that SQUIRT SQUAD in standard letters is distinct from SQUIRT registered in "distinctive lettering on a dark medallion").

In contrast, in a litigation, the court's analysis of this critical "similarity" factor will assess the visual similarities as well as the marks' actual pronunciation, stylization and appearance in the marketplace. *See, e.g., Federal Express Corp. v. Federal Espresso, Inc.*, 201 F.3d 168 (2d Cir. 2000) (affirming lower court's finding that the marks were not confusingly similar because they have different pronunciations and use different typefaces, colors and logos); *Spring Mills, Inc. v. Ultracashmere House, Ltd.*, 689 F.2d 1127, 1130 (2d Cir. 1982) ("[A]n inquiry into the degree of similarity between two marks does not end with a comparison of the marks themselves. . . . 'the setting in which a designation is used affects its appearance and colors the impression conveyed by it.'") (citations omitted)).

Similarly, with respect to other factors, like the relatedness of the goods and the channels of trade, the TTAB presumes that the goods will move through the ordinary channels of trade for those types of goods and often refuses to consider whether the particular goods are a certain type (i.e., luxury or inexpensive) if the registration or application does not contain such a restriction. *See, e.g., Stone Lion Capital*, 746 F.3d at 1323 ("Even assuming there is no overlap between [the parties'] current customers, the Board correctly declined to look beyond the application and registered marks at issue. An application with 'no restriction on trade channels' cannot be 'narrowed by testimony that the applicant's use is, in fact, restricted to a particular class of purchasers.'") (quoting *Octocom Sys.*, 918 F.2d at 943)); *L'Oreal S.A. v. Marcon*, 102 U.S.P.Q.2d 1434, 1441 (T.T.A.B. Mar. 20, 2012) (presuming that applicant's drinks and opposer's cosmetics will be sold to the same classes of

purchasers, through the same channels of trade, because the application and registrations contain no restrictions); *Brown Shoe Co. v. Robbins*, 90 U.S.P.Q. 2d 1752, 1774-75 (T.T.A.B. May 13, 2009) (rejecting applicant's argument that opposer presented no evidence of actual usage of the goods or channels of trade as "misplaced" because the TTAB presumes that the goods are sold in the same channels of trade where the identified goods are identical).

In contrast, a court will consider marketplace realities including actual purchase price points, packaging, advertising, merchandising markets and targeted consumer. *See, e.g., Network Automation Inc. v. Advanced Sys. Concepts, Inc.*, 638 F.3d 1137 (9th Cir. 2011) (vacating preliminary injunction finding that the district court erred by not considering the goods "in conjunction with the labeling and appearance of the advertisements and the degree of care exercised by the consumers ... By weighing this factor in isolation and failing to consider whether the parties' status as direct competitors would actually lead to a likelihood of confusion, the district court allowed this factor to weigh too heavily in the analysis"); *Betterbox Commc'n, Ltd. v. BB Tech., Inc.*, 300 F.3d 325 (3d Cir. 2002) (affirming declaration of no infringement allowing evidence of foreign registrations as probative of defendant's intent; concurrent opposition proceeding pending before TTAB); *Checkpoint Sys., Inc. v. CheckPoint Software Tech., Inc.*, 269 F.3d 270 (3d Cir. 2001) (affirming lower court's conclusion that although the goods fall under the same general product category, they operate in distinct niches making confusion unlikely); *Hormel Foods Corp. v. Jim Henson Prods., Inc.*, 73 F.3d 497, 504 (2d Cir. 1996) (finding that the "separation between the markets for luncheon meat and

puppet entertainment carries over into the secondary merchandising market"); *W.W.W. Pharmaceutical Co. v. Gillette Co.*, 984 F.2d 567, 574 (2d Cir. 1993) (finding that while both products are sold in drug stores, lip balm is generally sold at the checkout counter and deodorant is sold in its own section); *Anheuser-Busch, Inc. v. L&L Wings, Inc.*, 962 F.2d 316 (4th Cir.), *cert. denied*, 506 U.S. 872 (1992) (affirming jury verdict that confusion not likely based upon manner in which the junior mark appeared on the goods); *Union Carbide Corp. v. Every-Ready, Inc.*, 531 F.2d 366, 384 (7th Cir. 1976) ("Assuming the clerk was confused, this gives rise to an inference that purchasers would also be confused because salespersons are more likely than customers to be familiar with various marks on the merchandise they sell and hence are less likely to be confused.").

Although the Eighth Circuit did not specifically examine these issues, it correctly held that the likelihood of confusion analysis conducted by the TTAB is not identical to the likelihood of confusion determination made by the district court. *B&B Hardware, Inc. v. Hargis Indus., Inc.*, 716 F.3d 1020, 1026-27 (8th Cir. 2013). Nor should they be. The TTAB places a premium on the precise description of goods and services identified in the application rather than actual use by either party. This makes sense because it is the mark as presented in the application that is being analyzed and approved or disapproved. In litigation, however, it is actual use of the mark that is at issue. Marketplace realities, in this context, can make all the difference with respect to whether consumer confusion is indeed likely. Because the consideration of evidence and assessment of the confusion factors is different before the TTAB and a court, the first *Montana* factor is not present,

and a TTAB decision should not be given preclusive effect in a subsequent litigation.

B. The Third *Montana* Factor Is Not Met Because the Parties Are Not Usually Given a Full and Fair Opportunity for Litigation

Because the issues presented before a district court and the TTAB are different, parties deliberately choose to garner and present different types of evidence within each forum. Moreover, the TTAB prohibits the use of some discovery devices that are routine in a district court, and the trial before the TTAB is done by deposition testimony rather than live testimony. As the analysis, evidence and manner of trial are different, the third *Montana* factor – that the parties were given a full and fair opportunity for litigation – is not likely to be met.

For example, the quality of the defendant's goods is an important factor in many courts' infringement analyses, including the Second Circuit. Under this factor, a court examines "whether the senior user's reputation could be jeopardized by virtue of the fact that the junior user's product is of inferior quality." *Arrow Fastener Co. v. Stanley Works*, 59 F.3d 384, 398 (2d Cir. 1995) (citations omitted); *see also Virgin Enters. Ltd. v. Nawab*, 335 F.3d 141, 152 (2d Cir. 2003) ("The quality of the secondary user's product goes more to the harm that confusion can cause the plaintiff's mark and reputation than to the likelihood of confusion."). Notably absent from the *DuPont* factors considered by the TTAB is an assessment of whether the quality of the applicant's products will have an adverse effect on the senior rights holder's reputation and goodwill. *Compare Polaroid Corp. v. Polarad Elecs. Corp.*, 287

F.2d 492 (2d Cir. 1961) (listing eight factors considered for determining likelihood of confusion in the Second Circuit) *with In re E.I. DuPont DeNemours & Co.*, 476 F.2d 1357 (C.C.P.A. 1973) (listing thirteen factors considered for determining likelihood of confusion in TTAB proceedings).

As another example, surveys are designed differently depending on the forum. For a TTAB proceeding, the respondent is presented with the mark as it appears in the drawing. *See Miles Labs., Inc. v. Naturally Vitamin Supplements Inc.*, 1 U.S.P.Q.2d 1445 (T.T.A.B. Dec. 2, 1986). But in a litigation, the respondent is shown the party's product or packaging displaying the mark as it appears in the marketplace. Indeed, failure to replicate market conditions may be a basis to exclude a survey from evidence. *THOIP v. Walt Disney Co.*, 690 F. Supp. 2d 218, 231 (S.D.N.Y. 2010) (noting that greater evidentiary weight is afforded to survey methods that "mirror the situation in which the ordinary person would encounter the trademark"). These designs and methodology may lead to different results depending on numerous factors, including the description of the goods and the stylization of the mark.

These two examples highlight the degree to which the very nature of discovery is different depending on the forum because the issue of registration is narrower than the issue of infringement. This practical reality explains why parties often opt not to expend resources on discovery depositions in a TTAB proceeding as opposed to a litigation where depositions are often critical. In fact, the TTAB even discourages the parties from engaging in electronic discovery, which is routine in a federal case. *See Frito-Lay N. Am., Inc. v. Princeton Vanguard, LLC*, 100

U.S.P.Q.2d 1904 (T.T.A.B. Nov. 16, 2011) (denying request for e-discovery on the grounds that the TTAB has limited jurisdiction and such discovery is unduly burdensome).

Thus, in NYIPLA's experience, the TTAB rarely considers the "context of the marketplace" thoroughly enough to allow a court to conclude that the parties have had a full and fair opportunity to litigate the issue of likelihood of confusion in an infringement context. For this reason, the third *Montana* factor is not met and issue preclusion should not be applied.

C. The Plain Language of the Lanham Act Does Not Compel a Different Result

Petitioner's argument that the statutory text "likely ... to cause confusion" appears in both the registration and infringement provisions of the Lanham Act, and thus, must be interpreted to trigger identical analysis, is overly simplistic. The registration provision of the Lanham Act reads:

> No trademark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on the principal register on account of its nature unless it ... (d) consists of or comprises a mark which so resembles *a mark registered* in the Patent and Trademark Office ... as to be likely, *when used on or in connection with the goods of the applicant*, to cause confusion ....

15 U.S.C. § 1052(d) (emphasis added). By contrast, the infringement provision of the Lanham Act reads:

> Any person who shall, without the consent of the registrant ... *use in commerce* any reproduction, counterfeit, copy, or colorable imitation of a registered mark *in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use* is likely to cause confusion, or to cause mistake, or to deceive....

15 U.S.C. § 1114(1)(a) (emphasis added). Whether the Court construes the Lanham Act with ordinary construction, *FDIC v. Meyer*, 510 U.S. 471, 476 (1994), or the Court looks to the policies of the Lanham Act, *Lexmark Int'l, Inc. v. Static Control Components, Inc.*, 134 S. Ct. 1377, 1388 (2014), the conclusion is the same: the courts and the TTAB make different inquiries and consider different evidence when assessing a likelihood of confusion and a TTAB decision should, therefore, not be given preclusive effect.

The plain language of the statute demonstrates the different functions of the two governing bodies. First, the powers of the TTAB are restricted to deciding the sole issue of registration based upon a comparison of the application to the prior trademark. Pursuant to the registration provision, a "likely ... to cause confusion" determination concerns a comparison of a mark as set forth in a trademark application to a mark as stated in a previous registration. 15 U.S.C. § 1052(d). The infringement provision, on the other hand, requires that the "likely ... to cause confusion" finding be made only after a later filed mark is actually "use[d] in commerce ... in connection with the sale, offering for sale, distribution, or advertising of any goods or services...." 15 U.S.C. § 1114(1)(a). The TTAB cannot issue a decision that pertains to

whether the mark can be used in commerce, just whether it is registrable. *See Skookum Packers*, 45 F.2d at 915 ("It may well be that, in a suit in equity between the parties, appellee may successfully invoke the doctrine of estoppel against appellant, but the registration of a trade-mark is a statutory proceeding, and the statute governs the rights of the parties so far as registration is concerned. ... Nothing in this opinion should be construed as implying that appellee has not the right to use its mark; our decision is based wholly upon the question of the right to register, and not the right of appellee to use its mark.").

Second, the practical difference between the statutory language is that a lawsuit cannot be based on an intent-to-use application (whether as a plaintiff or a defendant), whereas such an intent-to-use application can be the subject of a TTAB proceeding. The evidentiary consequence is that in proceedings involving an intent-to-use application, the TTAB presumes the parties' channels of trade and targeted consumers based on the goods or services identified in the application. If that same application was later the subject of a litigation, a court should be able to consider the actual channels of trade and targeted consumers, and not be bound to a decision based on a presumption.

Even where the TTAB applied presumptions when considering confusion factors for determining registrability that are similar to those assessed by a court for determining infringement, its decision should not automatically be given preclusive effect in a litigation. In other words, while the factors may be similarly named, the relevant evidence considered is usually fundamentally different. Thus, based on the statutory language alone,

issue preclusion should not apply as a matter of law in every subsequent infringement action.

In NYIPLA's view, it is appropriate that the procedure before the administrative agency TTAB is more limited than before a district court because the issue of registrability is much narrower than whether a mark can be used without the risk of confusion. Allowing a TTAB decision preclusive effect will likely have a dramatic impact on the manner in which evidence is presented before the TTAB. The parties' current practices before the TTAB are generally efficient and cost-effective. The looming prospect that an adverse decision may be given a preclusive effective in a subsequent litigation is likely to affect trial strategy before the TTAB and encourage litigants to engage in discovery practice usually reserved for a federal case rather than a traditionally limited administrative proceeding. To hold otherwise can turn what to date has been a discrete litigation before an administrative agency into a more extensive and costly proceeding. For this additional policy reason – to maintain the status quo that TTAB proceedings are generally more cost-efficient than litigations – the Court should affirm the decision below.

II. MINIMAL EVIDENTIARY WEIGHT SHOULD ONLY BE GIVEN ON THE RARE OCCASION THAT THE TTAB CONSIDERS THE MARKETPLACE CONTEXT IN A MEANINGFUL WAY

The Eighth Circuit properly ruled below that the district court was not required to give deference to the TTAB decision because the issues litigated and the

evidence presented were not identical.[3] While, at times, the TTAB has considered some marketplace usage, this is often an exception to the rule. This is why the Second Circuit has suggested that, in order for a district court to accord a collateral estoppel effect to a TTAB proceeding, the TTAB "must have taken into account, in a meaningful way, the context of the marketplace." *Levy v. Kosher Overseers Ass'n of Am., Inc.*, 104 F.3d 38, 42 (2d Cir. 1997); *see also Firsthealth of Carolinas v. Carefirst of Maryland*, 479 F.3d 825, 828 (Fed. Cir. 2007) ("The Board's decision does not bar CareFirst from using the CAREFIRST mark or from asserting that mark in subsequent claims against FirstHealth for trademark infringement or unfair competition. ... Although the Board's findings may preclude CareFirst from re-litigating the narrow issues addressed by the Board in the opposition proceeding, the CAREFIRST mark may still be used to cause "damage" by means that do not involve inquiries into likelihood of confusion or dilution.").

In NYIPLA's experience, this circumstance will be rare.

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3. The issue below concerned what "deference," if any, should be afforded to the TTAB's determination on a likelihood of confusion. However, in NYIPLA's view, because the district court is not reviewing a TTAB decision on appeal further to the Administrative Procedure Act, but rather it is considering whether to afford preclusive effect to a decision from a parallel proceeding, NYIPLA respectfully submits that the proper question does not concern "deference" but rather what evidentiary weight, if any, should be afforded to the TTAB's decision concerning whether a mark is entitled to registration. *Cf. Kappos v. Hyatt*, 132 S. Ct. 1690 (2012).

TTAB proceedings generally involve a much narrower set of discovery than that involved in a federal litigation, and are therefore a more cost-effective measure for a party to enforce its trademark rights as an initial measure against a perceived infringer. As discussed above, the TTAB's usual refusal to consider marketplace evidence effectively limits the scope of discovery in the administrative proceeding. As such, a party often chooses to *not* present the same evidence before the TTAB that it would normally present before a federal court, without impacting the result of a TTAB proceeding. The decision to not present evidence is based upon the customary practice and procedure of the TTAB to exclude such evidence. That marketplace usage is not considered in the administrative proceeding – whether it is because the TTAB excluded the evidence or the parties chose not to present it on the assumption that it was not cost-effective to do so because the TTAB would likely exclude it – means the parties will not have been afforded a "full and fair opportunity" to litigate the issues. *Taylor*, 553 U.S. at 892; *see also Gelb v. Royal Globe Ins. Co.*, 798 F.2d 38, 42 (2d Cir. 1986), *cert. denied*, 480 U.S. 948 (1987), *cert. denied*, 502 U.S. 1005 (1991).

For this additional reason, the Eighth Circuit properly affirmed the decision below. Although the TTAB had considered some evidence of marketplace usage, the court found that the probative value of submitting the TTAB's decision on the issue of confusion was outweighed by the prejudicial effect on the jury because the jury was presented with similar evidence regarding likelihood of confusion as it pertains to the factors considered for infringement.

Although we anticipate that it will not often happen, if the district court does determine that the TTAB has indeed fairly considered the context of the marketplace, then that TTAB decision should be afforded minimal evidentiary weight on the narrow issue of entitlement to registration and not to the issue of whether there is a likelihood of confusion.

CONCLUSION

For the foregoing reasons, the Court should affirm the decision of the Eighth Circuit.

Respectfully submitted,

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